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**SPONSORED CLEARING REGULATIONS OF  
LCH LIMITED**

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## Scope

Save where expressly stated to the contrary in these SC Regulations or the SC Procedures, these SC Regulations govern the clearing of Contracts by Sponsored Members through LCH Limited. They do not govern any other clearing services provided by LCH Limited, LCH SA or any other affiliates of the LCH Group each of which is governed by a separate set of rules.

For the purposes of these SC Regulations, LCH Limited is referred to as the "**the Clearing House**". The term "**Sponsored Member**" is used to refer to an undertaking which is entitled to receive clearing services from LCH Limited (and includes a Dormant Sponsored Member, where the context so permits) and the term "**Agent Member**" is used to refer to an undertaking that either: (i) facilitates the Sponsored Member's access to such clearing services by performing the "**Agent Member Services**" (which includes the "**Payment Services**"); or (ii) maintains the Sponsored Member's access to such clearing services and facilitates the Agent Close-out MP upon an Agent Close-out Event by performing the "**Back-up Agent Services**"; or (iii) maintains the Sponsored Member's access to such clearing services upon a Paying Agent Resignation by performing the "**Back-up Paying Agent Services**" (see "**Definitions**"). Neither Sponsored Member nor Agent Member status confers any rights as a "shareholder" or similar status of LCH Limited or of any other undertaking in the LCH Group.

Any SC Regulation or group of SC Regulations expressly stated not to apply to a category, or categories of Contract, shall not apply to such category, or categories of Contract.

**REGULATION 1 DEFINITIONS**

In these SC Regulations and the SC Procedures, except where the context otherwise requires, the following words and expressions shall have the following meanings:

<b>"Affected Agent Member"</b>	means an Agent Member in respect of whom the Clearing House has issued an Agent Close-out Notice
<b>"Affected Contract"</b>	means an open contract registered in the name of a Sponsored Member and attributed to an Affected Agent Member
<b>"Affected (Payment Services) Contracts"</b>	means an open contract registered in the name of a Sponsored Member and attributed to a Resigning (Payment Services) Agent Member
<b>"Affected Portfolios"</b>	means, in respect of each Affected Sponsored Member, all of such Affected Sponsored Member's Affected Contracts attributed to the same Affected Agent Member
<b>"Affected (Paying Agent Resignation) Portfolios "</b>	means, in respect of each Affected (Payment Services) Sponsored Member, all of such Affected (Payment Services) Sponsored Member's Affected (Payment Services) Contracts attributed to same Resigning (Payment Services) Agent Member
<b>"Affected Portfolio Acceptance Window"</b>	means the period of time commencing on the date of the relevant Agent Close-out Notice (as defined below) and expiring 24 hours after such commencement, or such other period of time determined by the Clearing House, as specified by the Clearing House in such Agent Close-out Notice (as defined below)
<b>"Affected Sponsored Member"</b>	means a Sponsored Member that has open contracts registered in its name and attributed to an Affected Agent Member
<b>"Affected (Payment Services) Sponsored Member"</b>	means a Sponsored Member that has open contracts registered in its name and attributed to a Resigning (Payment Services) Agent Member
<b>"Agent Buffer"</b>	means Collateral required to be transferred by an Agent Member to an Agent Buffer Account for the benefit of each of its Sponsored Members and applied by the Clearing House to satisfy any call for margin or Contributions made with respect to its Sponsored Member(s) which the Agent Member has not paid when due

<b>"Agent Buffer Account"</b>	means an account maintained on the books of the Clearing House in which all Agent Buffer will be reflected on the books of the Clearing House
<b>"Agent Buffer Collateral Balance"</b>	means, in respect of an account of an Agent Member: (A) the sum of: (i) all Collateral which has been transferred by that Agent Member to the Clearing House (or which would, but for the application of a payment netting provision applying in the ordinary course of business, have been transferred by that Agent Member to the Clearing House) on account of any type of that Agent Member's margin obligations relating to the relevant account pursuant to the SC Rulebook; (ii) the cash proceeds of any non-cash Collateral relating to the relevant account which has been sold or otherwise disposed of by the Clearing House pursuant to an exercise of its powers under a Deed of Charge, the Default Rules or otherwise, to the extent that those proceeds have not been applied in or towards discharge of an obligation owed by the Agent Member to the Clearing House; and (iii) any Applied Collateral Excess Proceeds credited to the relevant account; less (B) any Agent Member Applied Collateral and any Agent Member Returned Collateral in relation to that account
<b>"Agent Close-out Event"</b>	means the issue, in respect of an Agent Member, of an Agent Close-out Notice as provided for by SC Regulation 9
<b>"Agent Close-out MP"</b>	means the processes of the Clearing House outlined in SC Regulation 9
<b>"Agent Close-out MP End Date"</b>	means the date which is the close of business on the day falling 30 calendar days after the Agent Close-out Notice is issued by the Clearing House (or, if such day is not a business day, the next succeeding business day)
<b>"Agent Close-out MP Start Date"</b>	means the date which is the close of business on the day on which the Affected Portfolio Acceptance Window expires
<b>"Agent Close-out MP Window"</b>	means the period commencing on the Agent Close-out MP Start Date and ending on the Agent Close-out MP End Date
<b>"Agent Close-out Notice"</b>	means a notice from the Clearing House that an Agent Close-out Event has occurred
<b>"Agent Member Applied"</b>	means, in respect of an account of an Agent Member:

**Collateral"**

(i) any cash Collateral in respect of which the Clearing House's obligation to return such Collateral has been discharged pursuant to the SC Rulebook by means of that return obligation having been set-off against an obligation owed by that Agent Member to the Clearing House, as contemplated by these SC Regulations; (ii) any non-cash Collateral (including in the form of securities) that has been appropriated and retained by the Clearing House pursuant to an exercise of its powers under a Deed of Charge and applied in or towards discharge of the Agent Member's obligations to the Clearing House; and (iii) any non-cash Collateral that has been sold or otherwise disposed of by the Clearing House pursuant to an exercise of its powers under a Deed of Charge

**"Agent Member Returned Collateral"**

means, in respect of an account of an Agent Member, any Collateral: (i) which the Clearing House has returned to an Agent Member (provided that the Clearing House shall only be treated as having returned any non-cash Collateral to an Agent Member if the security in respect of that Agent Member's interest in that non-cash Collateral pursuant to the relevant Deed of Charge has been released); or (ii) in respect of which the obligation to return such Collateral has been discharged as a result of the operation of a payment netting provision applying in the ordinary course of business

**"Agent Member"**

means:

(i) an undertaking that has been approved by the Clearing House and appointed by and on behalf of a Sponsored Member in accordance with both an Agent Member status application form and Sponsored Member status application form and the SC Procedures and pursuant to these SC Regulations (as applicable), to provide:

(A) the Agent Member Services; or

(B) on an Agent Close-out Event, the Back-up Agent Services; or

(C) on a Paying Agent Resignation, the Back-up Paying Agent Services; or

(ii) a Sponsored Member that has been approved by the Clearing House as satisfying the Back-up Agent Eligibility Criteria and who in accordance with the SC

Procedures and pursuant to these SC Regulations:

(A) on an Agent Close-out Event elects to perform the Back-up Agent Services itself; or

(B) on a Paying Agent Resignation, elects to perform the Back-up Paying Agent Services,

as the context requires in the SC Rulebook

**"Agent Member Services"**

means those services set out in SC Regulation 6 to be performed by an Agent Member

**"Agent Membership Agreement"**

means the agreement so designated under which, *inter alia*, the Clearing House agrees to make available to an Agent Member, services in connection with such Agent Member's performance of its obligations arising under or in connection with the Contracts registered in the name of its relevant Sponsored Member (pursuant to the SC Rulebook), together with any extension letter or other agreement

**"Agent Resource Contribution"**

means Collateral required to be transferred to the Clearing House by an Agent Member to provide a pre-funded financial resource that can be used by the Clearing House to cover losses arising from the default of any of its Sponsored Members with respect to Contracts for which it is the Agent Member

**"Aggregate Excess Loss"**

means, in relation to a Default, the aggregate amount of all Excess Losses attributable to all types of Relevant Business in which the Defaulter was engaged

**"Allocated Loss"**

has the meaning assigned to it in Regulation 29

**"Applied Collateral Excess Proceeds"**

means, where the Clearing House has sold, disposed of or appropriated all or any part of the non-cash Collateral held by a Sponsored Member and/or an Agent Member (as applicable) with the Clearing House in an exercise of its powers under the Deed of Charge entered into with the relevant Sponsored Member and/or an Agent Member (as applicable), the amount (if any) of realisation proceeds from such sale or disposal remaining after the Clearing House has applied the same in or towards discharge of the Sponsored Member's and/or an Agent Member's obligations (as applicable) to the Clearing House or, in the case of an appropriation, an amount of such



non-cash Collateral (or, where the amount in question is less than the minimum denomination of the relevant non-cash Collateral which can be delivered, cash) having a value equal to the excess (if any) of the value of the appropriated non-cash Collateral (as determined by the Clearing House in accordance with the relevant Deed of Charge) over the Sponsored Member's and/or an Agent Member's obligations (as applicable) to the Clearing House which have been discharged by that appropriation

<b>"ARC Account"</b>	means an account maintained on the books of the Clearing House in which an Agent Member's Agent Resource Contribution will be reflected on the books of the Clearing House
<b>"Auction Portfolio"</b>	has the meaning assigned to it in the Default Rules
<b>"Authorised CSD"</b>	means a central securities depository, which is authorised or recognised under EU CSDR or UK CSDR
<b>"Automated Trading System"</b>	means an automated trading system in respect of which the Clearing House has an agreement with the operator thereof and in respect of which the Clearing House has notified RepoClear Participants in accordance with the Procedures
<b>"Automatic Early Termination Event"</b>	has the meaning ascribed to such term in Rule 5 of the Default Rules
<b>"Back-up Agent Eligibility Criteria"</b>	means those criteria specified in the SC Procedures
<b>"Back-up Agent Services"</b>	means those services set out in SC Regulation 6 to be performed by a Non-Affected Agent Member or an Affected Sponsored Member, on the occurrence of an Agent Close-out Event in respect of an Affected Agent Member
<b>"Back-up Paying Agent"</b>	means an Agent Member that is not a Resigning (Payment Services) Agent Member and has elected to perform the Back-up Paying Agent Services for an Affected (Payment Services) Sponsored Member
<b>"Back-up Paying Agent Services"</b>	means with respect to the Payment Services, the services to be performed by an Affected (Payment Services) Sponsored Member or Back-up Paying Agent, following a Paying Agent Resignation as set out in SC Regulation 6

<b>"Bond Trade"</b>	means a trading activity in which a Sponsored Member offers to sell RepoClear Eligible Securities, and another RepoClear Clearing Member offers to purchase those RepoClear Eligible Securities, and a trade subsequently ensues
<b>"business day"</b>	means a day on which the Clearing House is open for business
<b>"Business"</b>	means any transactions, liabilities or obligations arising out of any contract and includes, in relation to the relevant Clearing Services, RepoClear Business
<b>"buyer"</b>	means a Clearing Member (or the Clearing House where the context so requires) who is a buyer under the terms of a RepoClear Transaction, a RepoClear Contract, a RepoClear Term £GC Transaction or a RepoClear Term £GC Contract as the case may be
<b>"Capped Amount"</b>	has the meaning as described in Rule 15 of the Default Rules
<b>"CFTC Regulations"</b>	means the Rules and regulations promulgated by the CFTC
<b>"CFTC"</b>	has the meaning assigned to it in the Default Rules
<b>"Clearing House Applied Collateral"</b>	means, in respect of an account of a Sponsored Member and/or an Agent Member (as applicable), any cash Collateral provided by the Clearing House in respect of which the Sponsored Member's and/or an Agent Member's obligation (as applicable) to return such Collateral has been discharged pursuant to the SC Rulebook by means of that return obligation having been set-off against an obligation owed by the Clearing House to that Sponsored Member and/or an Agent Member (as applicable), as contemplated by SC Regulation 15(w)
<b>"Clearing House Business"</b>	means, in respect of RepoClear, RepoClear Business and in respect of any other Clearing Service, Contracts entered into by a Sponsored Member with the Clearing House on a proprietary basis and for its own account
<b>"Clearing House Current Collateral Balance"</b>	means, in respect of an account of a Sponsored Member, all cash Collateral which has been transferred by the Clearing House to that Sponsored Member (or which would, but for the application of a payment netting provision applying in the ordinary course of business, have been transferred by the

Clearing House to that Sponsored Member) on account of the Clearing House's variation margin obligations relating to the relevant account pursuant to the SC Rulebook, less any Clearing House Applied Collateral and any Clearing House Returned Collateral in relation to that account

**"Clearing House Returned Collateral"**

means, in respect of an account of a Sponsored Member and/or an Agent Member (as applicable), any cash Collateral: (i) which a Sponsored Member and/or an Agent Member (as applicable) has returned to the Clearing House; or (ii) in respect of which the obligation to return such Collateral has been discharged as a result of the operation of a payment netting provision applying in the ordinary course of business

**"Clearing House"**

means LCH Limited whose registered office is located at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, United Kingdom

**"Clearing Services"**

means any one of the clearing services made available by the Clearing House

**"ClearLink API"**

means the Clearing House's proprietary messaging standard used by market participants to interact with the Clearing House's clearing services

**"CMS"**

means the Clearing House's collateral management system

**"Collateral"**

means cash and/or securities which are denominated in currencies and of a description acceptable to the Clearing House as prescribed by these SC Regulations and the SC Procedures and which have been transferred, or are to be transferred, to or by the Clearing House in or towards discharge of margin obligations or anticipated margin obligations or otherwise as contemplated by the SC Rulebook. Where the context so permits, references to "**Collateral**" held by, or transferred to, the Clearing House shall include any cash proceeds resulting from the sale or disposal by the Clearing House of any non-cash Collateral pursuant to an exercise of its powers under a Deed of Charge, and such proceeds shall be considered cash Collateral

**"Continuing Member"**

has the meaning as described in Rule 26 of the Default Rules

<b>"contract for differences"</b>	means an OTC Contract which is to be performed by cash settlement only
<b>"Contract"</b>	means a contract subject to the SC Regulations or the SC Procedures entered into by the Clearing House with a Sponsored Member for the purposes of or in connection with the provision of clearing services including an open contract
<b>"Contribution"</b>	means the contribution of an Agent Member to a default fund of the Clearing House in connection with one of its Sponsored Members (including, for the avoidance of doubt, a Dormant Sponsored Member) and includes a RepoClear Contribution and Other Mutualised Contributions
<b>"Cover"</b>	means an amount of cash or (with the approval of the Clearing House) non-cash Collateral, determined by the Clearing House, and in a form and currency acceptable to the Clearing House as prescribed in the SC Procedures
<b>"Deed of Charge"</b>	means a deed of charge entered into between: (i) a Sponsored Member and the Clearing House; and/or (ii) an Agent Member and the Clearing House, in respect of all non-cash Collateral transferred to the Clearing House for the account of that Sponsored Member and/or Agent Member (as applicable)
<b>"Default Loss"</b>	has the meaning assigned to it in Rule 16(b) of the Default Rules
<b>"Default Notice"</b>	has the meaning assigned to it in Rule 3 of the Default Rules
<b>"Default Rules"</b>	means the Clearing House's Default Rules including the Supplements from time to time in force pursuant to Part IV of The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 which, for the avoidance of doubt, form a part of these SC Regulations
<b>"Default"</b>	means the issue, in respect of a Sponsored Member, of a Default Notice as provided for by Rule 3 of the Default Rules
<b>"Defaulter"</b>	has the meaning assigned to it in Rule 4 of the Default Rules
<b>"Defaulting Sponsored Member"</b>	means a Sponsored Member who is a Defaulter

<b>"Depository"</b>	means a collateral agent, depository or custodian or other service
<b>"Determination Date"</b>	means the date for calculation of a Contribution other than an Unfunded Contribution or a Supplementary Contribution, as provided for in the RepoClear Default Fund Supplement to the Default Rules, and includes a RepoClear Determination Date
<b>"Dormant Sponsored Member"</b>	means a Sponsored Member approved by the Clearing House as a Dormant Sponsored Member and subject to the restrictions set out in Regulation 4A
<b>"Economic Terms"</b>	means that part of the RepoClear Contract Terms, RepoClear Term £GC Contract Terms, as the case may require, designated as Economic Terms by the Clearing House from time to time
<b>"EMIR"</b>	means EU EMIR or UK EMIR
<b>"EU CSDR"</b>	means Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014, as amended from time to time
<b>"EU EMIR"</b>	means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC Derivatives, Central Counterparties, and Trade Repositories, as amended from time to time
<b>"Excess Loss"</b>	means in relation to any Relevant Business and any Default, the net sum or aggregate of net sums certified to be payable by the Defaulter by a Rule 19 Certificate in respect of the Relevant Business, less: (a) the proportion of the Capped Amount applicable to the Relevant Business under Rule 15 of the Default Rules; and (b) any sums then immediately payable in respect of Default Losses for that Relevant Business by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House, and includes, in relation to the relevant Clearing Services, a RepoClear Excess Loss
<b>"FCM Clearing Member"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM Procedures"</b>	has the meaning assigned to it in the FCM Regulations
<b>"FCM Regulations"</b>	means the Clearing House's FCM Regulations

<b>"Fixed Income Contract"</b>	means a RepoClear Contract or a RepoClear Term £GC Contract
<b>"Fund Amount"</b>	means the RepoClear Segregated Fund Amount
<b>"General Clearing Member"</b>	means a "Member" as defined in the General Regulations
<b>"General Procedures"</b>	means the "Procedures" as defined in the General Regulations
<b>"General Regulations"</b>	means the Clearing House's General Regulations which include the Default Rules, and Clearing House Settlement Finality Regulations, from time to time in force
<b>"General RepoClear Procedures"</b>	means Section 2B ( <i>RepoClear Service</i> ) and Sections 3 ( <i>Financial Transactions</i> ) to 8 ( <i>Complaints</i> ) of the General Rulebook
<b>"General Rulebook"</b>	means the General Regulations, Default Rules, General Procedures and other such rules of the Clearing House, as published and amended from time to time
<b>"General Securities Collateral"</b>	means "Collateral" as defined in the General Regulations that is in the form of securities
<b>"House Clearing Business"</b>	means, in respect of any Clearing Service, contracts entered into by a Clearing Member with the Clearing House on a proprietary basis and for its own account
<b>"Individual CSD-Level Segregation"</b>	means, in respect of an Authorised CSD and an account which the Clearing House has opened with such Authorised CSD, that the Clearing House holds Securities Collateral for one Clearing Member only (and no other person) in such account together with General Securities Collateral (if any) that the Clearing House holds for the same Clearing Member in its capacity as a General Clearing Member
<b>"initial margin"</b>	means an amount determined and published from time to time by the Clearing House with regard to each category of contract, in respect of which Sponsored Members may be required to transfer (or procure transfer) to the Clearing House, Collateral in accordance with these SC Regulations and the SC Procedures as a condition of registration of a contract by the Clearing House and otherwise in respect of all Contracts registered with the Clearing House, as

prescribed by these SC Regulations and the SC Procedures

**"Insufficient Resources Determination"**

has the meaning assigned to it in Rule R11 of the RepoClear Default Fund Supplement

**"Irish Money Market Fund"**

means a money market fund (as defined in the Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds) established in Ireland as either:

a) an authorised Irish Collective Asset-management Vehicle for the purposes of the Irish Collective Asset-management Vehicles Act 2015;

b) a company formed and registered under the Irish Companies Act 2014 or the prior Companies Acts (as defined in section 2 of the Irish Companies Act 2014); or

c) a unit trust established under Irish law, the sole trustee of which is a company formed and registered under the Irish Companies Act 2014 or the prior Companies Acts (as defined in section 2 of the Irish Companies Act 2014)

which, in either case, is authorised by the Central Bank of Ireland under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 or the European Union (Alternative Investment Fund Managers) Regulations 2013.

**"Irish Pension Fund"**

Means an occupational pension scheme established as a trust under Irish law, which is exempt approved by the Irish Office of the Revenue Commissioners and the sole trustee of which is a company formed and registered under the Irish Companies Act 2014 or the prior Companies Acts (as defined in section 2 of the Irish Companies Act 2014).

**"LCH Group"**

means the group of undertakings consisting of LCH Limited, LCH Group Holdings Limited, LCH (Luxembourg) S.a.r.l, LCH Service Company Limited and Banque Centrale de Compensation S.A. trading as LCH SA. (any references to a "**member**" of the LCH Group within these SC Regulations is to be construed accordingly)

**"LCIA Rules"**

means the LCIA Arbitration Rules of the London

	Court of International Arbitration
<b>"Margin Cover"</b>	has the meaning ascribed to such term in Rule 15(a) of the Default Rules
<b>"margin"</b>	means initial margin and/or variation margin and any amounts required to be transferred and maintained under SC Regulation 15( <i>Margin and Collateral</i> )
<b>"market"</b>	means an OTC market in respect of which the Clearing House has agreed with certain participants in that market, to provide clearing services on the terms of these SC Regulations and the SC Procedures
<b>"Matching System"</b>	means a matching system in respect of which the Clearing House has an agreement with the operator thereof and in respect of which the Clearing House has notified to Agent Members and Sponsored Members in accordance with the SC Procedures
<b>"Member or Clearing Member"</b>	<p>(a) means an undertaking (including a firm or company) which is entitled to be party to Contracts with the Clearing House in accordance with a clearing membership agreement and the General Procedures. For the avoidance of doubt, the term "Member" and "Clearing Member" for the purposes of the SC Regulations, Default Rules and SC Procedures, do not mean shareholder of LCH Limited or of any other undertaking in the LCH Group</p> <p>(b) "Member" or "Clearing Member" includes or means a Sponsored Member and/or an Agent Member</p>
<b>"Minimum RepoClear Contribution Member"</b>	means an Agent Member in respect of which the Preliminary RepoClear Contribution calculated under Rule R2 of the RepoClear Default Fund Supplement, is equal to or less than the Minimum RepoClear Contribution for the time being
<b>"Minimum RepoClear Contribution"</b>	means GBP 2,000,000 at Clearing Member level, except in the case of Dormant Sponsored Members, in which case it shall be GBP 250,000
<b>"Net Recovery"</b>	means any sum received by the Clearing House from or for the account of a Defaulter after the issue by the Clearing House of a Rule 19 Certificate in respect of losses arising upon the Defaulter's Default, less any amount payable to any insurer or provider of



analogous services in respect of any amount due from but not previously paid by the Defaulter

**"New Agent Member"**

means, on the day as at which any Contribution is to be calculated, any Agent Member which either has become an Agent Member, or has commenced providing the Agent Member Services in respect of the relevant SC Clearing Service, since the immediately preceding day prescribed for calculating similar Contributions

**"Non-Affected Agent Member"**

means an Affected Sponsored Member's corresponding Agent Member which is not an Affected Agent Member

**"Omnibus CSD-Level Segregation"**

means, in respect of an Authorised CSD and an omnibus account which the Clearing House has opened with such Authorised CSD, that the Clearing House holds Securities Collateral for a Clearing Member in such account together with (a) other Securities Collateral that the Clearing House holds for other Clearing Members, and/or (b) General Securities Collateral that the Clearing House holds for General Clearing Members

**"Open Contract or open contract"**

means a Contract made with a Member on the terms (subject to variation of such terms as provided in these SC Regulations) of an original contract or a Contract made with a Member on the terms set out in the SC Regulations and/or any agreement entered into with the Member, which, in either case, has not been closed-out, settled or invoiced back in accordance with the SC Regulations and the SC Procedures

**"original contract"**

means an OTC Transaction other than a Repo Trade, Bond Trade or Term £GC Trade

**"OTC Clearing Service"**

means a service provided by the Clearing House for the clearing of a category of OTC Contract

**"OTC Contract"**

means a Contract entered into by the Clearing House with a Sponsored Member on the relevant OTC Contract Terms, as prescribed by the Clearing House from time to time, in accordance with the SC Regulations and the SC Procedures and/or any agreement entered into with the Sponsored Member

**"OTC Contract Terms"**

means the RepoClear Contract Terms in respect of RepoClear Contracts and the RepoClear Term £GC Contract Terms in respect of RepoClear Term £GC

## Contracts

<b>"OTC market"</b>	means any dealings in an investment (as defined in section 22(1) and Schedule 2 Part II of the Financial Services and Markets Act 2000) which are entered into otherwise than on or subject to the rules of an exchange (meaning an organisation (whether an exchange, association, company or otherwise) responsible for administering a futures, options, stock or other market)
<b>"OTC Transaction"</b>	means a transaction being a RepoClear Transaction, RepoClear Term £GC Transaction, Repo Trade, Bond Trade or Term £GC Trade made between a Sponsored Member and a Clearing Member (including another Sponsored Member)
<b>"Other Mutualised Contributions"</b>	means a RepoClear Unfunded Contribution and Supplementary Contribution
<b>"Own Resources Provision"</b>	means Article 35 of Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties or any law, regulation, rule, official directive or guideline (having the force of law) which replaces, supplements, modifies, amends or varies such provision
<b>"Paying Agent Resignation"</b>	has the meaning assigned to it in SC Regulation 7
<b>"Paying Agent Resignation MP"</b>	means the processes of the Clearing House outlined in SC Regulation 7(v) and (w)
<b>"Paying Agent Resignation MP End Date"</b>	means the date which is the close of business on the day falling 30 calendar days after the Paying Agent Resignation Effective Time (or, if such day is not a business day, the next succeeding business day)
<b>"Paying Agent Resignation MP Window"</b>	means the period commencing on the Paying Agent Resignation Effective Time and ending on the Agent Resignation MP End Date
<b>"Payment Services"</b>	has the meaning assigned to it in SC Regulation 6
<b>"Portfolios"</b>	has the meaning assigned to it in the Default Rules
<b>"PPS"</b>	has the meaning assigned to it in the SC Procedures
<b>"Price"</b>	means the price calculated by the Clearing House in accordance with the SC Regulations and the SC

## Procedures

<b>"Product Specific Contract Terms and Eligibility Criteria Manual"</b>	means the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time
<b>"Proprietary Account"</b>	means an account opened within the Clearing House by a Clearing Member in respect of such Clearing Member's House Clearing Business
<b>"Reference Price"</b>	means a price (howsoever called) by reference to which a Contract is settled to market, marked to market, settled or valued in accordance with the SC Regulations and SC Procedures
<b>"Registration Time"</b>	in respect of a Contract, shall have the meaning given in the SC Procedures, in each case, subject to SC Regulation 12(d)
<b>"Regulatory Body"</b>	means the Bank of England, the Secretary of State, the Prudential Regulation Authority, the Financial Conduct Authority or any other professional body designated under Part XX of the Financial Services and Markets Act 2000 or other body given regulatory powers under that Act, the CFTC or any department, agency, office or tribunal of a nation or state or any other body or authority which exercises a regulatory or supervisory function under the laws of the United Kingdom or under any foreign law
<b>"Relevant Business"</b>	has the meaning as described in Rule 15 of the Default Rules
<b>"Relevant Default"</b>	has the meaning ascribed to it in Rule R2 of the RepoClear Default Fund Supplement
<b>"Replacement Services Provider"</b>	has the meaning assigned to it in SC Regulation 9(e)
<b>"Repo Trade"</b>	means a trading activity in which a Sponsored Member or RepoClear Participant (" <b>the First Participant</b> ") offers to sell (or buy) RepoClear Eligible Securities, and another Sponsored Member or RepoClear Participant (" <b>the Second Participant</b> ") offers to buy (or sell, as the case may be) those securities, on condition that, at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) equivalent securities and the First Participant buys (or sells, as the case may be) those equivalent securities, and a trade subsequently ensues and provided that either the First Participant or the

	Second Participant is a Sponsored Member
<b>"RepoClear Business"</b>	means any transaction, obligation or liability arising out of any Fixed Income Contract entered into by a Sponsored Member with the Clearing House on a proprietary basis and for its own account
<b>"RepoClear Clearing Member"</b>	means a Member who is designated by the Clearing House as a RepoClear Clearing Member participating in any part of the RepoClear Service in accordance with the SC Rulebook and/or the General Rulebook and includes or means a Sponsored Member
<b>"RepoClear Contract Terms"</b>	means the terms applicable to each RepoClear Contract as set out from time to time in the Product Specific Contract Terms and Eligibility Criteria Manual
<b>"RepoClear Contract"</b>	means a Contract entered into by the Clearing House with a Sponsored Member on the RepoClear Contract Terms
<b>"RepoClear Contribution"</b>	means the amount of an Agent Member's Contribution with respect to one of its Sponsored Members or Dormant Sponsored Members provided for under the RepoClear Default Fund Supplement and shall include any relevant RepoClear Unfunded Contributions and any relevant Supplementary Contribution in respect of the Agent Member
<b>"RepoClear Default Fund Supplement"</b>	means the supplement relating to the RepoClear Business
<b>"RepoClear Default Management Process Completion Date"</b>	has the meaning assigned to it in the RepoClear DMP Annex in the Default Rules
<b>"RepoClear Default Management Process"</b>	has the meaning assigned to it in the RepoClear DMP Annex in the Default Rules
<b>"RepoClear Default Period"</b>	has the meaning ascribed to it in Rule R2 of the RepoClear Default Fund Supplement
<b>"RepoClear Determination Date"</b>	has the meaning assigned to it in Rule R2 of the RepoClear Default Fund Supplement
<b>"RepoClear Eligibility Criteria"</b>	means with regard to RepoClear Transactions, the product criteria set out in the Product Specific Contract Terms and Eligibility Criteria Manual as published on the Clearing House's website from time to time

<b>"RepoClear Eligible Securities"</b>	means with regard to RepoClear Transactions, Bond Trades and Repo Trades securities of a type described in the Product Specific Contract Terms and Eligibility Criteria Manual
<b>"RepoClear Excess Loss"</b>	means the net sum or aggregate of net sums certified to be payable by a Defaulter by a Rule 19 Certificate in respect of RepoClear Business less: (a) the proportion of the Capped Amount applicable to RepoClear Business under Rule 15 of the Default Rules; and (b) any sums then immediately payable in respect of RepoClear Business Default Losses owed by such Defaulter by any insurer or provider of analogous services under any policy of insurance or analogous instrument written in favour of the Clearing House
<b>"RepoClear Loss Distribution Process"</b>	has the meaning assigned to it in Rule R9 of the RepoClear Default Fund Supplement
<b>"RepoClear Participants"</b>	means RepoClear Clearing Members as defined in these SC Regulations and in the General Regulations, RepoClear Dealers as defined in the General Regulations and Agent Members as defined in these SC Regulations and "RepoClear Participant" means any of them
<b>"RepoClear Segregated Fund Amount"</b>	means the amount as determined in accordance with Rule R2 and R3 of the RepoClear Default Fund Supplement
<b>"RepoClear Service"</b>	the service provided by the Clearing House under the SC RepoClear Regulations
<b>"RepoClear Term £GC Contract"</b>	means a Contract entered into by the Clearing House with a Sponsored Member on the RepoClear Term £GC Contract Terms
<b>"RepoClear Term £GC Transaction"</b>	means a Contract, meeting the requirements of the SC Regulations and SC Procedures for registration as a RepoClear Term £GC Contract, details of which are presented to the Clearing House for registration in the name of Sponsored Members in accordance with the SC Regulations, SC Procedures and the terms of any agreement entered into between the Clearing House and each such Sponsored Member and their relevant Agent Member
<b>"RepoClear Transaction"</b>	means a Contract, meeting the requirements of the SC Regulations and SC Procedures for registration as a RepoClear Contract, details of which are presented to

the Clearing House for registration in the name of Sponsored Members in accordance with the SC Regulations, SC Procedures and the terms of any agreement entered into between the Clearing House and each such Sponsored Member and their relevant Agent Member

**"RepoClear Unfunded Contribution Notice"**

has the meaning assigned to it in Rule R8 of the RepoClear Default Fund Supplement

**"RepoClear Unfunded Contribution"**

has the meaning assigned to it in Rule R8 of the RepoClear Default Fund Supplement

**"Required Margin Amount"**

means in respect of any type of margin and any SM/AM Account, the most recent amount of each type of margin which the Clearing House requires in respect of the relevant SM/AM Account as determined by the most recent Collateral balances and valuations shown on the CMS and notified to the relevant Sponsored Member and its corresponding Agent Member

**"Resignation Effective Date"**

means the date on which the termination of a Resigning Sponsored Member's or Resigning Agent Member's Sponsored Member or Agent Member status (as applicable) in respect of a specific Clearing Service or Sponsored Member/Agent Member relationship becomes effective, as specified in Regulation 7

**"Resigning Agent Member"**

means at any time any Agent Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular Clearing Service or Sponsored Member/Agent Member relationship; or (ii) in respect of whom the Clearing House has given notice for the purposes of requiring such Agent Member to resign from a particular Clearing Service or Sponsored Member/Agent Member relationship

**"Resigning (Payment Services) Agent Member"**

has the meaning assigned to it in SC Regulation 7

**"Resigning Sponsored Member"**

means at any time any Sponsored Member: (i) who has given notice to the Clearing House for the purposes of resigning from a particular Clearing Service or Sponsored Member/Agent Member relationship; or (ii) in respect of whom the Clearing House has given notice for the purposes of requiring such Sponsored Member to resign from a particular Clearing Service or Sponsored Member/Agent Member relationship

	Member relationship
<b>"Retirement Effective Date"</b>	means the date on which the termination of a Retiring Sponsored Member's or Retiring Agent Member's Sponsored Member or Agent Member status (as applicable) becomes effective, as specified in Regulation 7
<b>"Retiring Agent Member"</b>	means at any time any Agent Member or, as the context may require, any former Agent Member: (i) who has given notice to terminate its Agent Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its Agent Member status
<b>"Retiring Sponsored Member"</b>	means at any time any Sponsored Member or, as the context may require, any former Sponsored Member: (i) who has given notice to terminate its Sponsored Member status to the Clearing House; or (ii) in respect of whom the Clearing House has terminated or given notice to terminate its Sponsored Member status
<b>"Rule 19 Certificate"</b>	has the meaning assigned to it in Rule 19 of the Default Rules
<b>"Rules Change Committee"</b>	means the decision-making body that will oversee and implement all material alterations, amendments or extensions to the SC Rulebook, the Sponsored Membership Agreement and the Agent Membership Agreement in accordance with its terms of reference
<b>"SC Procedures" or "Sponsored Clearing Procedures"</b>	means the document containing the working practices and administrative or other requirements of the Clearing House for the purposes of implementing or supplementing these SC Regulations, or the procedures for application for and regulation of membership of the Clearing House. For the avoidance of doubt, a reference to "SC Procedures" is not intended to refer to procedures provided for or required by any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation
<b>"SC Regulations" or "Sponsored Clearing Regulations"</b>	means these SC Regulations which include the Default Rules and Clearing House Settlement Finality Regulations, from time to time in force

<b>"SC RepoClear Regulations"</b>	means these SC Regulations as they apply to Fixed Income Contracts
<b>"SC Rulebook" or "Sponsored Clearing Rulebook"</b>	means these SC Regulations, Default Rules, Clearing House Settlement Finality Regulations, SC Procedures, and such other rules of the Clearing House, as published and amended from time to time
<b>"Securities Collateral"</b>	means Collateral that is in the form of securities
<b>"seller"</b>	means a Clearing Member (or the Clearing House where the context so requires) who is a seller under the terms of a RepoClear Transaction, a RepoClear Term £GC Transaction, a RepoClear Contract, or a RepoClear Term £GC Contract, as the case may be
<b>"settlement price"</b>	one or more prices determined in accordance with the SC Regulations or the SC Procedures
<b>"SM/AM Account"</b>	means an account opened within the Clearing House by a Sponsored Member in respect of Clearing House Business and associated with an Agent Member of such Sponsored Member
<b>"SM/AM Current Collateral Balance"</b>	means, in respect of an account of a Sponsored Member: (A) the sum of: (i) all Collateral which has been transferred by or on behalf of that Sponsored Member to the Clearing House (or which would, but for the application of a payment netting provision applying in the ordinary course of business, have been transferred by that Sponsored Member to the Clearing House) on account of any type of that Sponsored Member's margin obligations relating to the relevant account pursuant to the SC Rulebook; (ii) the cash proceeds of any non-cash Collateral relating to the relevant account which has been sold or otherwise disposed of by the Clearing House pursuant to an exercise of its powers under a Deed of Charge, the Default Rules or otherwise, to the extent that those proceeds have not been applied in or towards discharge of an obligation owed by the Sponsored Member to the Clearing House; and (iii) any Applied Collateral Excess Proceeds credited to the relevant account; less (B) any Sponsored Member Applied Collateral and any Sponsored Member Returned Collateral in relation to that account
<b>"SM/AM Default Fund Account"</b>	means an account maintained on the books of the Clearing House in which all Contributions by an Agent Member for the account of a Sponsored Member will be reflected on the books of the Clearing



	House
<b>"Solvency Threatening Treasury Default Loss"</b>	has the meaning assigned to it in Regulation 29
<b>"SONIA "</b>	means the overnight rate as calculated by the Wholesale Market Broker's Association and appearing on the Reuters Screen SONIA Page (or, if such a rate is not available, such SONIA-linked rate as may be determined in light of market conditions at such time by the Clearing House and notified by the Clearing House to Sponsored Members)
<b>"Sponsored Member Applied Collateral"</b>	means, in respect of an account of a Sponsored Member: (i) any cash Collateral in respect of which the Clearing House's obligation to return such Collateral has been discharged pursuant to the SC Rulebook by means of that return obligation having been set-off against an obligation owed by that Sponsored Member to the Clearing House, as contemplated by SC Regulation 15(t); (ii) any non-cash Collateral (including in the form of securities) that has been appropriated and retained by the Clearing House pursuant to an exercise of its powers under a Deed of Charge and applied in or towards discharge of the Sponsored Member's obligations to the Clearing House; and (iii) any non-cash Collateral that has been sold or otherwise disposed of by the Clearing House pursuant to an exercise of its powers under a Deed of Charge
<b>"Sponsored Member Returned Collateral"</b>	means, in respect of an account of a Sponsored Member, any Collateral: (i) which the Clearing House has returned to a Sponsored Member and/or Agent Member (as applicable) (provided that the Clearing House shall only be treated as having returned any non-cash Collateral to a Sponsored Member and/or Agent Member (as applicable), if the security in respect of that Sponsored Member's and/or Agent Member's interest in that non-cash Collateral pursuant to the relevant Deed of Charge has been released); or (ii) in respect of which the obligation to return such Collateral has been discharged as a result of the operation of a payment netting provision applying in the ordinary course of business
<b>"Sponsored Member"</b>	means an undertaking that has been approved by the Clearing House for the clearing of RepoClear Contracts with the Clearing House in accordance with a Sponsored Membership Agreement and the SC

Procedures and pursuant to these SC Regulations

If the Sponsored Member is an Irish Money Market Fund organised as a standalone (i.e. “non-umbrella” fund), “Sponsored Member” also includes the fund related to the Sponsored Member.

If the Sponsored Member is an Irish Money Market Fund, organised as an “umbrella” fund, “Sponsored Member” also includes the applicable sub-fund of that umbrella fund.

If the Sponsored Member is an Irish Pension Fund, “Sponsored Member” also includes the applicable trust, fund or scheme (howsoever described)

If the Sponsored Member is a fund, sub-fund, scheme, trust, or other similar structure, either self-managed or acting through a separate manager, then the “Sponsored Member” is the fund, sub-fund, scheme, trust or other similar structure.

**"Sponsored Membership Agreement"**

means the agreement so designated under which, *inter alia*, the Clearing House agrees to make available to a Sponsored Member clearing services in respect of Contracts together with any extension letter or other agreement

**"Standard Terms"**

means that part of the RepoClear Contract Terms designated as Standard Terms by the Clearing House from time to time

**"Supplementary Contribution"**

means a supplementary Contribution of an Agent Member, provided for under Rule C7(b), E7(b), F7(c), R7(c) or CS7 of the Default Rules (as applicable), and referable to the relevant Clearing Service provided by the Clearing House

**"Termination Amount"**

has the meaning assigned to such term in SC Regulation 27

**"Termination Date"**

has the meaning assigned to such term in SC Regulation 27

**"Term £GC Trade"**

means a trading activity in which a Sponsored Member or RepoClear Participant ("**the First Participant**") offers to sell (or buy) an agreed value of securities comprised in a Term £GC Basket (as defined in the SC Procedures or, if applicable, the General Procedures), to be allocated in accordance with the SC Procedures or, if applicable, the General

RepoClear Procedures applicable to RepoClear Term £GC Contracts, and another Sponsored Member or RepoClear Participant ("**the Second Participant**") offers to buy (or sell, as the case may be) the securities so allocated, on the conditions that:

- (a) at the end of a specified period of time, the Second Participant sells (or buys, as the case may be) Equivalent Securities (as such term is used in the RepoClear Term £GC Contract Terms) and the First Participant buys (or sells, as the case may be) those Equivalent Securities;
- (b) the understanding of the parties is that their obligations during the term of the transaction will be effected through the CREST delivery by value (DBV) functionality of Euroclear UK and Ireland, as contemplated by the rules of Euroclear UK and Ireland and the SC Procedures or, if applicable, General RepoClear Procedures applicable to RepoClear Term £GC Contracts; and
- (c) either the First Participant or the Second Participant is a Sponsored Member,

and a trade subsequently ensues

**"Title Transfer Contract"**

means a contract entered into between a Sponsored Member and the Clearing House, under which the Sponsored Member transfers to the Clearing House full right, title and interest in non-cash Collateral on terms that, when the Sponsored Member discharges the Covered Obligations (as defined in such deed) to the Clearing House, the Clearing House will transfer title to equivalent non-cash Collateral to the Sponsored Member

**"Total Required Margin Amount"**

means the aggregate of the Required Margin Amount for all types of margin relating to a SM/AM Account as notified to the relevant Sponsored Member and its corresponding Agent Member

**"Trading System"**

means a an Automated Trading System or a Matching System

**"Trading System Participant"**

has the meaning assigned to such term in SC Regulation 37(b)

<b>"Treasury Contract"</b>	means any contract, including a contract of deposit, entered into by the Clearing House with that SC Member for purposes of, in connection with or otherwise in the course of its treasury management activities
<b>"UK CSDR"</b>	means Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 (a) as it has become retained EU law and effective in the United Kingdom under the European Union (Withdrawal) Act 2018, and (b) as it is amended from time to time, including by the Central Securities Depository (Amendment) (EU Exit) Regulations 2018
<b>"UK EMIR"</b>	means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC Derivatives, Central Counterparties, and Trade Repositories (a) as it has become retained EU law and effective in the United Kingdom under the European Union (Withdrawal) Act 2018, and (b) as it is amended from time to time
<b>"Unfunded Contribution"</b>	means the unfunded Contribution of an Agent Member with respect to one of its Sponsored Members referable to a specific Clearing Service provided by the Clearing House
<b>"variation margin"</b>	means an amount determined by the Clearing House in accordance with the SC Procedures in respect of original contracts or open contracts (as the case may be)

Any reference in these SC Regulations or the SC Procedures to statutes or statutory instruments or provisions thereof shall be to such statutes or statutory instruments or provisions thereof as amended, modified or replaced from time to time.

Reference to writing contained in these SC Regulations or the SC Procedures shall include typing, printing, lithography, photography or any other mode of representing or reproducing words in a visible form.

Words importing the singular shall, where the context permits, include the plural and vice-versa.

Any reference to time contained in these SC Regulations or the SC Procedures shall, unless otherwise stated, be to London time. Times are shown using the twenty four hour clock.

Any reference in these SC Regulations to a person or a party (howsoever described) shall include its successors.

Headings are used herein for ease of reference only.

**CHAPTER I – SCOPE****REGULATION 2 OBLIGATIONS OF THE CLEARING HOUSE TO EACH SPONSORED MEMBER AND AGENT MEMBER**

- (a) The Clearing House shall perform the obligations referred to in paragraphs (b) and (c) below so as to ensure the performance of all open contracts in accordance with these SC Regulations. Each Sponsored Member is fully liable to the Clearing House for the performance of its obligations arising in connection with Contracts registered to it (including Back-up Agent Services and Back-up Paying Agent Services, if applicable) and each Agent Member is fully liable to the Clearing House for the performance of its obligations arising in connection with the Agent Member Services or Back-up Agent Services and where applicable, Back-up Paying Agent Services, in respect of such Agent Member's corresponding Sponsored Member.
- (b) The obligations of the Clearing House to each Sponsored Member shall be, as a counterparty to an open contract registered in the name of a Sponsored Member in accordance with these SC Regulations and the SC Procedures, to perform its obligations under the terms of such open contract as principal to such Sponsored Member in accordance with the provisions of these SC Regulations and the SC Procedures, but subject to the restrictions on the Clearing House's obligations and liabilities contained in these SC Regulations.
- (c) The obligations of the Clearing House to each Agent Member shall be to perform its obligations under the provisions of these SC Regulations and the SC Procedures as they relate to the Agent Member Services and, if applicable, Back-up Agent Services and/or Back-up Paying Agent Services, but subject to the restrictions on the Clearing House's obligations and liabilities contained in these SC Regulations.
- (d) The performance by the Clearing House of its obligations referred to in this SC Regulation 2 shall always be subject to the provisions of these SC Regulations. The benefit of the performance by the Clearing House of such obligations is conferred upon all Sponsored Members and Agent Members and upon no other persons whatsoever. It is not the intention of the Clearing House or its members to confer any benefit on or give any right to enforce any provisions of this SC Regulation or any of the other SC Regulations, to any person who is not a Sponsored Member or Agent Member. Rights of third parties to enforce any provision of any of these SC Regulations pursuant to the Contracts (Rights of Third Parties) Act 1999 are expressly excluded.

**REGULATION 3 PERFORMANCE BY THE CLEARING HOUSE OF ITS OBLIGATIONS UNDER THE TERMS OF AN OPEN CONTRACT**

The Clearing House's obligations under the terms of an open contract shall be performed in the manner and form and by such day and time as may be prescribed in these SC Regulations or the SC Procedures, save that where the Economic Terms of an OTC Contract specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with the Economic Terms if it performs its obligations promptly after such time.

**CHAPTER II – STATUS****REGULATION 4 SPONSORED MEMBER STATUS OF THE CLEARING HOUSE**

- (a) Application for Sponsored Member status of the Clearing House shall be made in accordance with the SC Procedures and Sponsored Members must be approved as such. A Sponsored Member's status of the Clearing House shall be governed by these SC Regulations, the SC Procedures and any Sponsored Membership Agreement to which it is for the time being party. Sponsored Member status does not provide or entitle a Sponsored Member to any other Clearing Member status with the Clearing House or to any shareholding membership of LCH Limited or any shareholding or other membership of any other member of the LCH Group or any entitlement to membership of or participation in LCH SA, each of which has separate and distinct membership requirements.
- (b) The Clearing House shall determine which categories of Contract a Sponsored Member is eligible to have registered in its name from time to time. If, in its absolute discretion, the Clearing House determines that a Sponsored Member no longer meets the relevant eligibility criteria for a particular category, or categories of Contract, the Clearing House may rescind that Sponsored Member's eligibility to have Contracts of such category or categories registered in its name, but without prejudice to its right to have registered in its name, subject to the SC Regulations, the categories of Contracts in respect of which the Sponsored Member does meet the eligibility criteria. The Clearing House may from time to time publish a list of Sponsored Members identifying the category or categories of Contracts which each Sponsored Member is eligible to have registered in its name.
- (c) The Clearing House requires, prior to a Sponsored Member being able to register a Contract in its name, that such Sponsored Member: (1) is not a Dormant Sponsored Member; and (2) has appointed and maintains at least one Agent Member to perform the Agent Member Services and has notified the Clearing House of:
- (i) the appointment of at least one Agent Member (whether or not an Agent Member of that Sponsored Member) who has elected to perform the Back-up Agent Services on the occurrence of an Agent Close-out Event in respect of an Agent Member that is performing Agent Member Services, and where applicable, has elected to perform the Back-up Paying Agent Services on the occurrence of a Paying Agent Resignation in respect of the Agent Member that is performing the Payment Services, for such Sponsored Member; or
  - (ii) confirmation that the Sponsored Member has elected to perform the Back-up Agent Services itself on the occurrence of an Agent Close-out Event in respect of the Agent Member that is performing the Agent Member Services, and where applicable, has elected to perform the Back-up Paying Agent Services on the occurrence of a Paying Agent Resignation in respect of the Agent Member that is performing the Payment Services, provided that the Clearing House has approved the Sponsored Member of satisfying the Back-up Agent Eligibility Criteria.
- (d) A Sponsored Member shall act and provide: (i) the Back-up Agent Services in accordance with the SC Rulebook, only where there has been an Agent Close-out

Event with respect to Contracts registered in the name of such Sponsored Member and attributed to such Affected Agent Member; and (ii) the Back-up Paying Agent Services in accordance with the SC Rulebook, only where there has been a Paying Agent Resignation with respect to Contracts registered in the name of such Sponsored Member and attributed to such Resigning (Payment Services) Agent Member.

- (e) Where an Agent Member performing the Agent Member Services ceases to have Agent Member status of the Clearing House, whether due to an Agent Close-out Event or where the Clearing House has revoked Agent Member status and a Non-Affected Agent Member commences providing the Back-up Agent Services; if such Non-Affected Agent Member ceases to have Agent Member status of the Clearing House, the Affected Sponsored Member must appoint a new Agent Member to perform the Back-up Agent Services by the close of business on the next Business Day after the date of default or revocation, as applicable.
- (f) A Sponsored Member shall be a principal to and not an agent in respect of any Contract registered in its name with the Clearing House. In performing its obligations and exercising its rights under these SC Regulations, the Clearing House shall take no account of any right or interest which any person other than: (i) a Sponsored Member or its corresponding Agent Member may have in any Collateral transferred by such Sponsored Member or its corresponding Agent Member in satisfaction of such Sponsored Member's obligations to the Clearing House and in accordance with these SC Regulations and the SC Procedures; and (ii) a Sponsored Member or its corresponding Agent Member may have in any Contributions it has made for such Sponsored Member.
- (g) The Sponsored Member joins the Clearing House as a Clearing Member as described in Article 2.14 of EMIR and as such is responsible for discharging the obligations that arise from its participation in the Clearing House. The Sponsored Member is required to discharge the obligations that arise from its participation as a Clearing Member of the Clearing House, including nominating an Agent Member that will provide services including but not limited to the provision of Contributions. A Sponsored Member that does not meet its Sponsored Member obligations pursuant to the SC Rulebook (including when its Agent Member is in default ('**Agent Close-out**')) is at risk of being declared in default by the Clearing House.



**REGULATION 4A DORMANT SPONSORED MEMBER STATUS OF THE CLEARING HOUSE**

- (a) A request by a Sponsored Member for Dormant Sponsored Member status of the Clearing House shall be made in accordance with the SC Procedures and Dormant Sponsored Members must be approved as such by the Clearing House. A Dormant Sponsored Member's status of the Clearing House shall be governed by these SC Regulations, the SC Procedures and any Sponsored Membership Agreement to which it is for the time being party.
- (b) Notwithstanding Regulation 4, a Dormant Sponsored Member shall not be eligible to have registered in its name any categories of Contract for so long as the Dormant Sponsored Member remains a Dormant Sponsored Member.
- (c) Following Dormant Sponsored Member status becoming effective, the Clearing House shall return an amount equal to the difference between the RepoClear Contribution for that Dormant Sponsored Member and the Minimum RepoClear Contribution for Dormant Sponsored Members.
- (d) A Dormant Sponsored Member shall retain the information provided, and infrastructure put in place around, their Sponsored Member status with the Clearing House for so long as it remains a Dormant Sponsored Member.
- (e) A Dormant Sponsored Member may resume Sponsored Member status by request to the Clearing House, which shall be made in accordance with these SC Regulations, the SC Procedures and any Sponsored Membership Agreement to which it is for the time being a party.

**REGULATION 5 AGENT MEMBER STATUS OF THE CLEARING HOUSE**

- (a) Application for Agent Member status of the Clearing House shall be made in accordance with the SC Procedures and Agent Members must be approved as such. An Agent Member's status of the Clearing House shall be governed by these SC Regulations, the SC Procedures and any Agent Membership Agreement to which it is for the time being party. Agent Member status does not provide or entitle an Agent Member to any other member status with the Clearing House or to any shareholding membership of LCH Limited or any shareholding or other membership of any other member of the LCH Group or any entitlement to membership of or participation in LCH SA, each of which has separate and distinct membership requirements.
- (b) An Agent Member may act:
- (i) as an Agent Member providing the Agent Member Services to its corresponding Sponsored Member(s); and
  - (ii) if applicable, as an Agent Member providing the Back-up Agent Services to its corresponding Sponsored Member(s); and
  - (iii) if applicable, as an Agent Member providing the Back-up Paying Agent Services to its corresponding Sponsored Member(s).
- (c) An Agent Member shall act and provide the Agent Member Services and, if applicable, Back-up Agent Services and/or Back-up Paying Agent Services only with respect to Contracts entered into by a corresponding Sponsored Member that its corresponding Sponsored Member is eligible to have registered in its name from time to time and attributed to such Agent Member.
- (d) An Agent Member shall act and provide the Back-up Agent Services and where applicable, the Back-up Paying Agent Services in accordance with the SC Rulebook only where there has been an Agent Close-out Event or where applicable, a Paying Agent Resignation, and with respect to Contracts that its corresponding Sponsored Member has registered at the time of the related Agent Close-out Event or where applicable, Paying Agent Resignation, and/or subsequently registers, and attributed to such Affected Agent Member or where applicable, Resigning (Payment Services) Agent Member.
- (e) The Clearing House shall determine whether an application for Agent Member status of the Clearing House is approved. If, in its absolute discretion, the Clearing House determines that an Agent Member no longer meets the relevant eligibility criteria for acting as an Agent Member, including where an Agent Close-out Event has occurred, the Clearing House may rescind that Agent Member's eligibility to act as an Agent Member. If a Sponsored Member has its eligibility to have Contracts of certain categories registered in its name rescinded by the Clearing House, the eligibility of the Agent Member to act on such Sponsored Member's behalf in respect of such categories of Contracts shall also be deemed to be rescinded, but without prejudice to the Agent Member's right to, subject to the SC Regulations, act on behalf of the Sponsored Member with respect to the categories of Contracts in respect of which the Sponsored Member does meet the eligibility criteria.

- (f) An Agent Member acts for each of its corresponding Sponsored Member(s) in respect of any Contract registered in the name of such Sponsored Member(s) with the Clearing House and attributed to the Agent Member, but shall be fully liable for all obligations to the Clearing House that it has under these SC Regulations in connection with such Contracts and the Agent Member Services and, if applicable, Back-up Agent Services and/or Back-up Paying Agent Services. In performing its obligations and exercising its rights under these SC Regulations, the Clearing House shall take no account of any right or interest which any person other than: (i) a Sponsored Member or its corresponding Agent Member may have in any Collateral transferred by such Agent Member to the Clearing House; and (ii) a Sponsored Member or its corresponding Agent Member may have in any Contributions such Agent Member has made for such Sponsored Member.

## REGULATION 6 AGENT SERVICES

### (a) Agent Member Services

1. Each Sponsored Member, in order to discharge the financial obligations that arise out of its participation as a Clearing Member of the Clearing House, shall nominate an Agent Member who shall perform those obligations set out in these SC Regulations, the SC Procedures and the Default Rules, as applicable, including but not limited to the following:
  - (i) provide payment services by facilitating the payment of Sponsored Members' margin by satisfying any calls for margin made by the Clearing House to each of such Agent Member's Sponsored Members in respect of Open Contracts registered in the name of corresponding Sponsored Member(s) and attributed to such Agent Member ("**Payment Services**");
  - (ii) provide Contributions to the Clearing House; and
  - (iii) on a determination by the Clearing House of a Solvency Threatening Treasury Default Loss in accordance with SC Regulation 29, provide any Allocated Loss amounts to the Clearing House.
2. Each Agent must provide Agent Buffer and Agent Resource Contributions to the Clearing House in respect of each Sponsored Member.

### (b) Back-up Agent Services

Where there has been an Agent Close-out Event, the Non-Affected Agent Member that has elected to perform the Back-up Agent Services (for a corresponding Sponsored Member of such Affected Agent Member), shall perform those obligations set out in these SC Regulations and the SC Procedures, as applicable, including but not limited to the following:

- (i) provide any margin called by the Clearing House in respect of a shortfall in relation to the Affected Portfolios,
 

provided that such Back-up Agent Services shall only be required to be performed where the relevant Non-Affected Agent Member has provided an Acceptance Notification to the Clearing House within the Affected Portfolio Acceptance Window, in accordance with SC Regulation 9.

### (c) Back-up Paying Agent Services

Where there has been a Paying Agent Resignation, the Back-up Paying Agent that has elected to perform the Back-up Paying Agent Services (for an Affected (Payment Services) Sponsored Member), shall perform those obligations set out in these SC Regulations and the SC Procedures, as applicable, including but not limited to the following:

- (i) provide any margin called by the Clearing House in respect of a shortfall in relation to the Affected (Paying Agent Resignation) Portfolios,

provided that such Back-up Paying Agent Services shall only be required to be performed where both the Affected (Payment Services) Sponsored Member and the Back-up Paying Agent have notified the Clearing House in accordance with Section 2.8.8 of the SC Procedures.

**REGULATION 7 RESIGNING AND RETIRING MEMBERS**

- (a) Subject to paragraph (b) below, a Sponsored Member (including, for the avoidance of doubt, a Dormant Sponsored Member) or Agent Member may resign from a particular Clearing Service or in respect of its Sponsored Member/Agent Member relationship upon giving no less than three months' written notice to the Clearing House and its corresponding Agent Member or Sponsored Member (as applicable), by completing a Resignation Letter, a copy of which can be obtained from the Clearing House's Onboarding Team, provided that the Clearing House may, at its discretion, agree with a Resigning Sponsored Member or Resigning Agent Member a notice period of less than three months. Such resignation takes effect on the Resignation Effective Date, which is the later of:
- (i) the resignation date as confirmed by the Clearing House, following receipt of written notice to the Clearing House in relation to the relevant Clearing Service or Sponsored Member/Agent Member relationship; and
  - (ii)
    - (A) with respect to a Sponsored Member, the date on which all Contracts registered in the Resigning Sponsored Member's name on the relevant Clearing Service or all Contracts registered in respect of its Sponsored Member/Agent Member relationship have been closed-out, so as to ensure that there are no remaining open Contracts in respect of the relevant Clearing Service or Sponsored Member/Agent Member relationship to which the Resigning Sponsored Member is a party, provided that the Clearing House may require the Resigning Sponsored Member by prior written notice to complete such close-out of its Contracts by the date specified in such written notice;
    - (B) with respect to an Agent Member performing the Agent Member Services for its Sponsored Member(s), the date on which all Contracts registered in the name of such Resigning Agent Member's corresponding Sponsored Member on the relevant Clearing Service or all Contracts registered in respect of its Sponsored Member/Agent Member relationship and in each case, attributable to such Resigning Agent Member have been closed-out so as to ensure that there are no remaining open Contracts attributable to the Resigning Agent Member, in respect of the relevant Clearing Service or Sponsored Member/Agent Member relationship to which the Resigning Agent Member's corresponding Sponsored Member(s) is a party.
- (b) An Agent Member performing the Back-Up Agent Services may resign from providing Back-up Agent Services in respect of its Sponsored Member/Agent Member relationship upon providing the Clearing House with at least 5 hours prior-notice (during a business day), provided that if such prior-notice is given less than 5 hours before the end of a business day, the remaining period of time required in order to satisfy this pre-notice requirement, will continue on the following business day.

Such resignation shall take effect on the Resignation Effective Date, which for the purposes of this paragraph will be the business day on which the 5 hour prior-notice requirement is satisfied.

- (c) Where an Agent Member has delivered a Resignation Letter to the Clearing House under paragraphs (a) to (b) above, the Clearing House will not: (i) accept any new Contracts for the account of any Sponsored Member of such Resigning Agent Member and attributable to such Resigning Agent Member (where such resignation is in respect of a particular Clearing Service): or (ii) accept any new Contracts for the account of a Sponsored Member of such Resigning Agent Member and attributable to such Resigning Agent Member (where such resignation is in respect of a specific Sponsored Member/Agent Member relationship), other than Contracts which facilitate the reduction of the relevant Sponsored Member's risk with the Clearing House.
- (d) Upon the Clearing House being satisfied that the Resigning Sponsored Member or Resigning Agent Member is not a Defaulter or an Affected Agent Member (as applicable), and that all obligations of the Resigning Agent Member or Sponsored Member to which the relevant Collateral is capable of being applied in accordance with the SC Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of arising, the Clearing House shall return or release any Collateral provided to the Clearing House for the purpose of collateralizing the Resigning Sponsored Member or Resigning Agent Member's obligations (as applicable) in respect of the relevant Clearing Service or Sponsored Member/Agent Member relationship.
- (e) Provided a Resigning Sponsored Member who is resigning from a particular Clearing Service or from a particular Agent Member is not a Defaulter, such Resigning Sponsored Member's corresponding Agent Member shall be liable in respect of Aggregate Excess Losses relating to any Default which arises in the relevant Clearing Service prior to the relevant Resignation Effective Date. In such circumstances, and as further provided in the Default Rules, the Agent Member may be required to maintain some or all of its Contribution in connection with that Clearing Service until after the completion of the default management process related to the relevant Default, notwithstanding that the relevant Resignation Effective Date might occur prior to such time.
- (f) A Resigning Agent Member other than an Affected Agent Member who is resigning from a particular Clearing Service or from a particular Sponsored Member shall be liable in respect of Aggregate Excess Losses relating to any Default which arises in the relevant Clearing Service or Sponsored Member/Agent Member relationship prior to the relevant Resignation Effective Date. In such circumstances, and as further provided in the Default Rules, the Resigning Agent Member shall be liable in respect of Aggregate Excess Losses relating to Contributions that such Resigning Agent Member has made to the default funds of their Sponsored Members who are not Defaulters.
- (g) A Sponsored Member and an Agent Member must at all times be approved as a Sponsored Member or an Agent Member in respect of at least one Clearing Service, and a Sponsored Member or Agent Member may not utilize the resignation process set out above so as to resign from all (or all remaining) Clearing Services in respect

of which it is a Sponsored Member or Agent Member. Where a Sponsored Member or Agent Member wishes to cease being a Sponsored Member or Agent Member in respect of all (or all remaining) Clearing Services, the retirement process set out in paragraphs (h) to (l) below should be used.

- (h) A Sponsored Member or Agent Member may, in accordance with the Sponsored Membership Agreement or Agent Membership Agreement (as applicable) and as further described in the SC Procedures, retire from Sponsored Member or Agent Member status altogether upon giving no less than three months' written notice to the Clearing House, provided that the Clearing House may, at its discretion, agree with a Retiring Sponsored Member or Retiring Agent Member a notice period of less than three months. Retirement takes effect on the Retirement Effective Date, which is the later of:
  - (i) the retirement date as confirmed by the Clearing House following receipt of written notice to the Clearing House; and
  - (ii)
    - (A) with respect to a Sponsored Member, the date on which all Contracts registered in the Retiring Sponsored Member's name have been closed-out, so as to ensure that there are no remaining open Contracts to which the Retiring Sponsored Member is a party, provided that the Clearing House may require the Retiring Sponsored Member by prior written notice to complete a close-out of its Contracts by the date specified in such written notice;
    - (B) with respect to an Agent Member performing the Agent Member Services, the date on which all Contracts registered in the name of the such Retiring Agent Member's corresponding Sponsored Member(s) and attributable to such Retiring Agent Member have been closed-out, so as to ensure that there are no remaining open Contracts to which such Retiring Agent Member's corresponding Sponsored Member(s) are party.
- (i) Where an Agent Member has delivered a written notice to the Clearing House under paragraph (h) above, the Clearing House will not accept any new Contracts for the account of any Sponsored Member of such Retiring Agent Member other than Contracts which facilitate the reduction of the relevant Sponsored Member's risk with the Clearing House.
- (j) Upon the Clearing House being satisfied that the Retiring Sponsored Member or Retiring Agent Member is not a Defaulter or an Affected Agent Member, and that all obligations of the Retiring Sponsored Member or Retiring Agent Member (as applicable) to which the relevant Collateral is capable of being applied in accordance with the SC Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of arising, the Clearing House shall return or release any Collateral provided to the Clearing House for the purpose of collateralizing the Retiring Sponsored Member or Retiring Agent Member's obligations.



- (k) Provided a Retiring Sponsored Member is not a Defaulter, such Retiring Sponsored Member's Agent Member shall be liable in respect of Aggregate Excess Losses relating to any Default which arises prior to the relevant Retirement Effective Date. In such circumstances, and as further provided in the Default Rules, the Agent Member may be required to maintain some or all of its Contribution until after the completion of the default management process related to the relevant Default, notwithstanding that the Retirement Effective Date might occur prior to such time.
- (l) A Retiring Agent Member other than an Affected Agent Member shall be liable in respect of Aggregate Excess Losses relating to any Default which arises in the relevant Clearing Service prior to the relevant Resignation Effective Date. In such circumstances, and as further provided in the Default Rules, the Retiring Agent Member shall be liable in respect of Aggregate Excess Losses relating to Contributions that such Retiring Agent Member has made to the default funds of their Sponsored Members who are not Defaulters.
- (m) Sponsored Members and Agent Members should contact the Clearing House for further details on how to retire from Sponsored Member or Agent Member status or how to resign from a particular Clearing Service.
- (n) The Clearing House may also, by giving no less than three months' written notice, require a Sponsored Member or Agent Member to retire from Sponsored Member or Agent Member status or to resign from one or more specific Clearing Services. Following the service of such a notice, the relevant Sponsored Member or Agent Member will become a Retiring Sponsored Member or Retiring Agent Member or a Resigning Sponsored Member or Resigning Agent Member (as the case may be) and such Retiring Sponsored Member or Resigning Sponsored Member (as applicable), will be required to close-out all Contracts registered in its name or all Contracts registered in its name in connection with the specified Clearing Service or Clearing Services, respectively, by the date specified in the relevant notice.
- (o) On the occurrence of an Agent Close-out Event, the Clearing House may require an Affected Agent Member to retire from Agent Member status or to resign from one or more specific Clearing Services. Such retirement or resignation shall become effective upon the latter of: (i) completion of the relevant Agent Close-out MP in accordance with SC Regulation 9; and (ii) when the conditions in paragraphs (a) to (m) above (as applicable) have been satisfied.
- (p) The arrangements for a Sponsored Member who is a Defaulter to resign from a particular Clearing Service or retire from Sponsored Member status and for the return or release of the cover and the Contributions provided by such Defaulter's Agent Member to the Clearing House are as set out in the Default Rules, including, in particular, Rules 15 and 25 of the Default Rules.
- (q) An Agent Member may subject to the provisions of this paragraph, upon immediate notice to the Clearing House, resign its position as an Agent Member in respect of Payment Services provided to a Sponsored Member (such Agent Member shall hereafter be deemed to be a “**Resigning (Payment Services) Agent Member**” and such resignation shall be deemed a “**Paying Agent Resignation**”), provided such Resigning (Payment Services) Agent Member:

- (A) provides the Clearing House with at least 5 hours prior-notice (during a business day) regarding such Paying Agent Resignation; provided that if such prior-notice is given less than 5 hours before the end of a business day, the remaining period of time required in order to satisfy this pre-notice requirement, will continue on the following business day (“**Pre-Notification of Paying Agent Resignation**”); and
- (B) provides the Clearing House with a Payment Services Default Notice in a form satisfactory to the Clearing House in respect of its corresponding Affected (Payment Services) Sponsored Member; and
- (C) provides the Clearing House with a Payment Services Resignation Notice in a form satisfactory to the Clearing House in respect such Affected (Payment Services) Sponsored Member, detailing the reasons for its Paying Agent Resignation.

A Resigning (Payment Services) Agent Member’s Paying Agent Resignation in accordance with this paragraph shall take effect from receipt by the Clearing House of both the Payment Services Default Notice and the Payment Services Resignation Notice, provided that the 5 hours prior-notice requirement referred to in paragraph (A) above is satisfied (the “**Paying Agent Resignation Effective Time**”).

- (r) Following receipt of a Pre-Notification of Paying Agent Resignation, the Clearing House shall be entitled to apply the Agent Buffer (as sized by the Clearing House as at the Paying Agent Resignation Effective Time) in respect of margin required by the Clearing House for the account of an Affected (Payment Services) Sponsored Member.
- (s) In the event of a Paying Agent Resignation, the Affected (Payment Services) Sponsored Member must invoke, in accordance with Section 2.8.8 of the SC Procedures, the provision of Back-up Paying Agent Services either itself or via its Back-up Paying Agent, which will take immediate effect on receipt by the Clearing House of notification by both the Affected (Payment Services) Sponsored Member and the Back-up Paying Agent.
- (t) Any margin obligations that arise following an Agent Member’s Paying Agent Resignation will be allocated and discharged in accordance with the SC Procedures.
- (u) In the event that an Affected (Payment Services) Sponsored Member does not invoke the provision of Back-up Paying Agent Services, in accordance with paragraph (s) above, the Clearing House will be entitled in its sole discretion to deem such Sponsored Member a Defaulting Sponsored Member in accordance with these SC Regulations.
- (v) **Clearing House Steps**

The Clearing House has established a Paying Agent Resignation MP for the resignation management process that will apply to Affected (Payment Services) Contracts from Paying Agent Resignation Effective Time. The fundamental

principles of the Paying Agent Resignation MP are elaborated to the fullest extent possible in this SC Regulation 7.

Each Sponsored Member and each Agent Member to whom this SC Regulation 7 applies shall take all steps and execute all documents necessary or required by the Clearing House to comply with its obligations arising out of this SC Regulation 7.

The provisions of this Regulation 7 are at all times and for all purposes without prejudice to the rights of the Clearing House under the Default Rules.

- (i) during the Paying Agent Resignation MP Window the Clearing House may take any or all of the following steps with respect to the Affected (Paying Agent Resignation) Portfolios:
  - (A) to apply any available Agent Buffer to meet in full or in part any unpaid liabilities in respect of the SM/AM Accounts of an Affected (Payment Services) Sponsored Member associated with the Resigning (Payment Services) Agent Member and to satisfy any liabilities of a Affected (Payment Services) Sponsored Member to the Clearing House;
  - (B) to apply any Agent Resource Contribution in accordance with Rule 19 of the Default Rules;
  - (C) in respect of Affected (Payment Services) Contracts attributed to the Resigning (Payment Services) Agent Member, to charge to its account the amount (or, if the amount is not finally known, the estimated amount) of any expenses incurred by the Clearing House with regard to the steps which are or may be taken under this paragraph and any expenses incurred with regard thereto;
  - (D) call from the Back-up Paying Agent additional margin in an amount determined by the Clearing House;
  - (E) any other step calculated by the Clearing House to complete the Paying Agent Resignation MP; and
  - (F) to obtain such advice or assistance, whether legal or otherwise, as the Clearing House may deem necessary and at the expense of the Resigning (Payment Services) Agent Member, as applicable, for any matter arising out of or in connection with the default,

provided that, following the expiry of the Paying Agent Resignation MP Window, the Clearing House may:

- (A) exercise its rights under the Default Rules, including its right to issue a Default Notice with respect to the Affected (Payment Services) Sponsored Member where the Paying Agent Resignation MP has not been completed;

- (B) continue at its sole discretion to take any actions it deems necessary to mitigate the exposures of the Affected (Paying Agent Resignation) Portfolios;
  - (C) call from the Back-up Paying Agent additional margin in an amount determined by the Clearing House.
- (ii) where the Affected (Payment Services) Sponsored Member has not specified itself to be appointed to perform the Back-up Agent Services, all margin obligations that have arisen after the Paying Agent Resignation Effective Time will be discharged by the Affected (Payment Services) Sponsored Member who will be required to discharge its margin obligations via its contingency payment arrangements (which are more particularly described in the SC Procedures).

(w) **Determination of Amount Payable**

Upon the determination of the outstanding rights and liabilities of the Resigning (Payment Services) Agent Member, in respect of all Affected (Payment Services) Contracts attributed to it in accordance with paragraph (v) above, the following Paying Agent Resignation MP shall be completed by the Clearing House in order to determine any net amounts which remain payable between the Resigning (Payment Services) Agent Member and the Clearing House, in respect of each SM/AM Account of such Resigning (Payment Services) Agent Member's corresponding Affected (Payment Services) Sponsored Members:

- (i) there shall be brought into account all Contributions, Agent Buffer, Agent Resource Contributions and any Allocated Loss amounts (as applicable), payable by or to the Resigning (Payment Services) Agent Member;
- (ii) the sums so payable shall be aggregated or set off so as to produce a net sum with respect to each of the following accounts related to the Resigning (Payment Services) Agent Member: (i) each SM/AM Account; (ii) its Agent Buffer Account; and (iii) its ARC Account; and
- (iii) where there is inadequate Collateral (on an SM/AM Account) to satisfy an Affected (Payment Services) Sponsored Member's margin obligations to the Clearing House, the Clearing House shall have the sole discretion with respect to the allocation of any available Agent Buffer of the Resigning (Payment Services) Agent Member to satisfy the margin obligations of the Affected (Payment Services) Sponsored Member under Affected (Payment Services) Contracts. In addition, upon termination or maturity of Affected (Payment Services) Contracts with a related Sponsored Member, a net sum shall be calculated in respect of such SM/AM Account and with regards to any amount due to the Clearing House from such Sponsored Member in respect of net sums attributable to such SM/AM Account where there is inadequate Collateral (on a sub-account by sub-account basis) to fully set off such amount payable, the Clearing House shall have sole discretion with respect to the allocation of any available Agent Buffer of the relevant Resigning (Payment Services) Agent Member in setting off any such amounts payable to the Clearing House. In addition, amounts on the ARC Account can be set-off

against liabilities of the Resigning (Payment Services) Agent Member with respect to the relevant Affected (Payment Services) Sponsored Member and any excess returned to the Resigning (Payment Services) Agent Member, provided that such amounts are not required with respect to any default management process that is ongoing at the time.

**REGULATION 8 CLEARING SERVICE WITHDRAWAL**

- (a) If at any time the Clearing House decides to withdraw part or the whole of a Clearing Service it shall give not less than six months' notice to all Sponsored Members and Agent Members participating in that Clearing Service (for the purposes of this SC Regulation 8, the "**affected Members**") of the date on which the service will be withdrawn (the "**Relevant Withdrawal Date**"). The accidental omission by the Clearing House to give notice under this SC Regulation 8 to, or the non-receipt of notice under this SC Regulation 8 by, one or more affected Members or Agent Members shall not invalidate the Relevant Withdrawal Date. Where only a part of a Clearing Service is being withdrawn, notice need only be given to those Sponsored Members or Agent Members authorised or approved to participate in that part of the relevant Clearing Service. If the Clearing House becomes aware that it has omitted to give notice under this SC Regulation 8 to any affected Member prior to the Relevant Withdrawal Date, it will immediately notify the affected Member of the Relevant Withdrawal Date in accordance with the applicable notice provisions.
- (b) Without prejudice to its rights under the Default Rules, any notice given under paragraph (a) above shall specify the nature of the service which the Clearing House will provide until the Relevant Withdrawal Date. Unless otherwise specified in the notice, and without prejudice to its rights under the Default Rules, the Clearing House will not, other than pursuant to action under the Default Rules, register a Contract in respect of the relevant Clearing Service, other than a closing-out contract, after notice to withdraw the service has been given under paragraph (a) above.
- (c) If at the Relevant Withdrawal Date an affected Member (that is a Sponsored Member) has not closed-out all open Contracts in respect of the relevant Clearing Service registered in its name or, in the case of an affected Member (that is an Agent Member), registered in the name of its corresponding Sponsored Member, the Clearing House shall at its sole discretion, be entitled to:
- (i) liquidate any or all of such Contracts and require such contracts to be cash settled at a price determined by the Clearing House; and/or
  - (ii) postpone the Relevant Withdrawal Date until such time as the Clearing House determines.

## REGULATION 9 AGENT MEMBER CLOSE-OUT

### (a) Scope and Interpretation

The Clearing House has established an Agent Close-out MP which will apply in determining whether an Agent Close-out Event has occurred, and the close-out management process that will apply to Contracts on the occurrence of an Agent Close-out Event and in respect of which, for the avoidance of doubt, the Clearing House will have no recourse to the process of invoicing-back. The fundamental principles of the Agent Close-out MP are elaborated to the fullest extent possible in this SC Regulation 9. Where exhaustive detail cannot be laid out in the provisions of this SC Regulation 9, the Agent Close-out MP will be undertaken on the basis of the principles contained herein.

The Clearing House has an obligation to ensure the on-going integrity of the services made available to Sponsored Members and Agent Members. Each Sponsored Member and each Agent Member to whom this SC Regulation 9 applies shall take all steps and execute all documents necessary or required by the Clearing House to comply with its obligations arising out of this SC Regulation 9.

The provisions of this Regulation 9 are at all times and for all purposes without prejudice to the rights of the Clearing House under the Default Rules.

### (b) Agent Member Close-out

In the event of an Agent Member appearing to the Clearing House to be unable, or to be likely to become unable, to meet its obligations in respect of one or more Contracts attributed to such Agent Member, the Clearing House may take the steps listed in paragraph (f) below, it deems appropriate in the circumstances:

- (i) to discharge all of the Agent Member's rights and liabilities under or in connection with all Contracts of its Sponsored Members, that are attributed to that Agent Member; and
- (ii) to complete the process set out in paragraph (f) below.

### (c) Agent Close-out Triggers

Without prejudice to the generality of paragraph (b) above, the Clearing House may take any or all of the events under sub-paragraphs (i) to (xvii) below, to show that an Agent Member is or is likely to become unable to meet its obligations in respect of one or more Contracts attributed to it:

- (i) the Agent Member fails duly to perform its obligations under or is otherwise in breach of the SC Regulations, the SC Procedures, or any of the terms of any agreement, understanding or arrangement with the Clearing House;
- (ii) the Agent Member is in breach of the terms of membership of, or is declared to be in default by, or is suspended or expelled from membership of, any recognised, designated or overseas investment exchange or clearing house;

- (iii) the Agent Member is in breach of the rules of any recognised, designated or overseas investment exchange or clearing house;
- (iv) the Agent Member is in breach of the terms of membership of, or is refused an application for or is suspended or expelled from membership of, a Regulatory Body or is in breach of the rules of a Regulatory Body to which it is subject or its authorisation by a Regulatory Body is suspended or withdrawn;
- (v) a Regulatory Body takes or threatens to take action against or in respect of the Agent Member under any statutory provision or process of law;
- (vi) the Agent Member is in default in the payment of any sum whatsoever due and payable to the Clearing House;
- (vii) the Agent Member fails to pay any sum due and payable, or is otherwise in default under the terms of any agreement or threatens to suspend payment or to default under the terms of any agreement;
- (viii) the Agent Member fails to transfer, when called by the Clearing House, Collateral to maintain the Agent Buffer, any Contributions and any Agent Resource Contribution or is in default in the payment of any such Agent Buffer, any Contributions and Agent Resource Contribution;
- (ix) in respect of the Agent Member, a bankruptcy petition is presented or a bankruptcy order is made or a voluntary arrangement is approved;
- (x) in respect of the Agent Member, a receiver, manager or administrative receiver is appointed or a composition or scheme of arrangement is approved by the court;
- (xi) an assignment or composition is made by the Agent Member for the benefit of creditors or any of them;
- (xii) a petition is presented for the winding up of the Agent Member;
- (xiii) an order is made for the winding up of the Agent Member, or a resolution is passed for the winding up of the Agent Member (save for the purpose of its amalgamation or reconstruction);
- (xiv) in respect of the Agent Member, a petition is presented or an order made for the appointment of an administrator;
- (xv) the Agent Member, being a partnership, is dissolved, or being a registered company, is dissolved or suffers its name to be struck off the register of companies;
- (xvi) any step analogous to those mentioned in the sub-paragraphs above is taken in respect of the Agent Member in any jurisdiction; or
- (xvii) any distress, execution or other process is levied or enforced or served upon or against any property of the Agent Member.



(d) **Determination of Agent Close-out Event**

On or as soon as practicable after the Clearing House has elected to take any of the steps listed in paragraph (f) below in relation to an Agent Member, the Clearing House:

- (i) shall suspend the Affected Agent Member's ability to affirm the registration of any Contracts for any of its Sponsored Members;
- (ii) shall send an Agent Close-out Notice to each Affected Sponsored Member and the relevant potential Replacement Services Provider (as defined in paragraph (e)(ii) below) and publish a copy of such Agent Close-out Notice on its website
- (iii) shall specify the expiration time of the Affected Portfolio Acceptance Window with respect to the Agent Close-out Event by which Acceptance Notifications (as defined below) must be received;
- (iv) shall determine the SM/AM Current Collateral Balance of each SM/AM Account associated with the Affected Agent Member; and
- (v) shall send details of the Affected Portfolio and SM/AM Current Collateral Balance (the "**Default AM Portfolio Information**") of each Affected Sponsored Member to such Sponsored Member and its relevant potential Replacement Services Providers;
- (vi) may isolate all resources of the Affected Agent Member (including any Agent Buffer, Agent Resource Contributions and Contributions) and of its Affected Sponsored Members (including any margin) in respect of the Affected Portfolios until: (i) the maturity of the Contracts comprised in the relevant Affected Portfolios; or (ii) a Replacement Services Provider has been elected; or (iii) for as long as the Clearing House deems necessary; and
- (vii) may apply any available Agent Buffer to meet in full or in part any unpaid liabilities in respect of the SM/AM Accounts of an Affected Sponsored Member associated with the Affected Agent Member and to satisfy any liabilities of an Affected Sponsored Member to the Clearing House.

(e) **Appointment of Replacement Services Provider**

On receipt of the Default AM Portfolio Information, the relevant Replacement Services Provider may, prior to the expiry of the Affected Portfolio Acceptance Window send a notification in writing (including by facsimile and e-mail) to the Clearing House (an "**Acceptance Notification**"), confirming that:

- (i) where the Affected Sponsored Member has specified another Agent Member to be appointed to perform the Back-up Agent Services in the case of an Agent Close-out Event, such Non-Affected Agent Member agrees to perform the Back-up Agent Services with respect to the Affected Portfolios of the Affected Sponsored Member (the "**Back-up Agent Services Provider**"); or

- (ii) where the Affected Sponsored Member has specified itself to be appointed to perform the Back-up Agent Services in the case of an Agent Close-out Event, it agrees to perform its own Back-up Agent Services with respect to its Affected Portfolios (the "**Affected SM BAS Provider**", and each of the Back-up Agent Services Provider and Affected SM BAS Provider, a "**Replacement Services Provider**").

(f) **Clearing House Steps**

- (i) where the Clearing House has received an Acceptance Notification prior to the expiry of the Affected Portfolio Acceptance Window pursuant to paragraph (e) above, confirming the appointment of a Replacement Services Provider, the Clearing House shall update the payment and account details in respect of each Affected Sponsored Member to include the payment and account details of the relevant Replacement Services Provider and during the Agent Close-out MP Window:

- (A) the Clearing House:

- (A) may call from the Replacement Services Provider any margin required in respect of any shortfall relating to the relevant Affected Sponsored Member's Contracts;
- (B) may, in its sole discretion, require that the relevant Affected Sponsored Member undertake risk-reducing trades, in order to close-out or offset the Affected Portfolios;
- (C) will not accept trades from the Affected Sponsored Member which the Clearing House deems risk-increasing; and
- (D) may take any other step calculated by the Clearing House to complete the Agent Close-out MP, including the steps set out at paragraph (f)(ii) below; and

- (B) the Replacement Services Provider:

- (A) will perform the Back-up Agent Services with respect to the Affected Portfolios, in accordance with Regulation 6; and
- (B) may take such steps as may be permitted to preserve as far as possible the position of any Affected Sponsored Member.

- (ii) during the Agent Close-out MP Window the Clearing House may take any of the following steps with respect to the Affected Portfolios (including in the case where the Clearing House has not received an Acceptance Notification prior to the expiry of the Affected Portfolio Acceptance Window):

- (A) to apply any available Agent Buffer to meet in full or in part any unpaid liabilities in respect of the SM/AM Accounts of an Affected Sponsored Member associated with the Affected Agent Member and to satisfy any liabilities of an Affected Sponsored Member to the Clearing House;

- (B) to apply any Agent Resource Contribution in accordance with Rule 19 of the Default Rules;
- (C) in respect of Affected Contracts attributed to the Affected Agent Member, to charge to its account the amount (or, if the amount is not finally known, the estimated amount) of any expenses incurred by the Clearing House with regard to or in consequence of the circumstances mentioned in paragraph (b) above or the steps which are or may be taken under this paragraph and any expenses incurred with regard thereto;
- (D) call from the Replacement Services Provider additional margin in an amount determined by the Clearing House;
- (E) any other step calculated by the Clearing House to complete the Agent Close-out MP; and
- (F) to obtain such advice or assistance, whether legal or otherwise, as the Clearing House may deem necessary and at the expense of the Affected Agent Member, as applicable, for any matter arising out of or in connection with the default,

provided that, following the expiry of the Agent Close-out MP Window, the Clearing House may:

- (A) exercise its rights under the Default Rules, including its right to issue a Default Notice with respect to the Affected Sponsored Member where the Agent Close-out MP has not been completed;
  - (B) continue at its sole discretion to take any actions it deems necessary to mitigate the exposures of the Affected Portfolios;
  - (C) call from the Replacement Services Provider additional margin in an amount determined by the Clearing House.
- (iii) where the Clearing House has not received an Acceptance Notification prior to the expiry of the Affected Portfolio Acceptance Window, and the Affected Sponsored Member has not specified itself to be appointed to perform the Back-up Agent Services, all margin obligations that have arisen following the issuance of an Agent Close-out Notice will be discharged by the Affected Sponsored Member who will be required to discharge its margin obligations via its contingency payment arrangements (which are more particularly described in the SC Procedures).

(g) **Determination of Amount Payable**

Upon the determination of the outstanding rights and liabilities of the Affected Agent Member, in respect of all Affected Contracts attributed to it in accordance with paragraph (f) above, the following Agent Close-out MP shall be completed by the Clearing House in order to determine any net amounts which remain payable between the Affected Agent Member and the Clearing House, in respect of each

SM/AM Account of such Affected Agent Member's corresponding Affected Sponsored Members:

- (i) there shall be brought into account all Contributions, Agent Buffer, Agent Resource Contributions and any Allocated Loss amounts (as applicable), payable by or to the Affected Agent Member;
- (ii) the sums so payable shall be aggregated or set off so as to produce a net sum with respect to each of the following accounts related to the Affected Agent Member: (i) each SM/AM Account; (ii) its Agent Buffer Account; and (iii) its ARC Account; and
- (iii) where there is inadequate Collateral (on an SM/AM Account) to satisfy an Affected Sponsored Member's margin obligations to the Clearing House, the Clearing House shall have the sole discretion with respect to the allocation of any available Agent Buffer of the Affected Agent Member to satisfy the margin obligations of the Affected Sponsored Member under Affected Contracts. In addition, upon termination or maturity of Affected Contracts with a related Sponsored Member, a net sum shall be calculated in respect of such SM/AM Account and with regards to any amount due to the Clearing House from such Sponsored Member in respect of net sums attributable to such SM/AM Account where there is inadequate Collateral (on a sub-account by sub-account basis) to fully set off such amount payable, the Clearing House shall have sole discretion with respect to the allocation of any available Agent Buffer of the relevant Affected Agent Member in setting off any such amounts payable to the Clearing House. In addition, amounts on the ARC Account can be set-off against liabilities of the Affected Agent Member with respect to the relevant Affected Sponsored Member and any excess returned to the Affected Agent Member, provided that such amounts are not required with respect to any default management process that is ongoing at the time.

**CHAPTER III – ACCOUNTS****REGULATION 10 ACCOUNTS**

- (a) Accounts shall be opened between each Sponsored Member and the Clearing House and each Agent Member and the Clearing House in accordance with the SC Procedures. The Clearing House shall offer segregated accounts: (i) by maintaining separate records enabling it to distinguish in accounts the positions and assets held for the account of one Sponsored Member from the positions and assets held for the account of any other Sponsored Member; and (ii) by maintaining separate records allowing it to distinguish in accounts the positions of an Agent Member's corresponding Sponsored Member and the assets attributable to or held for the account of that Agent Member from the positions of another Agent Member's corresponding Sponsored Member and the assets attributable to or held for the account of any other Agent Member. For the avoidance of doubt, each Sponsored Member or Agent Member shall be responsible for all obligations owed to the Clearing House in respect of every account opened in respect of such Sponsored Member or Agent Member.
- (b) In the event that more than one SM/AM Account is opened in respect of a Sponsored Member, the Clearing House shall have the right to combine or consolidate the balances on any or all of the SM/AM Accounts of that Sponsored Member associated with the same Agent Member, and to set off any amount or amounts standing from time to time to the credit of any one or more of such accounts in or towards payment or satisfaction of all or any of the Sponsored Member's liabilities to the Clearing House on any one or more of such accounts associated with the same Agent Member. Further detail in respect of the composition and operation of SM/AM Accounts is set out in the SC Procedures Section 3 (*Financial Transactions*).
- (c) This paragraph applies to an Agent Member's Agent Buffer Account. The Clearing House shall not combine or consolidate the balances on or positions recorded in an Agent Member's Agent Buffer Account or set off any amount or amounts standing to the credit of any such Agent Buffer Account, in or towards payment or satisfaction of another Agent Member's liabilities to the Clearing House on any other such Agent Member's Agent Buffer Account or on any SM/AM Account, save as stated in Regulation 16.
- (d) Amounts standing to the credit of a SM/AM Account of a Sponsored Member may be applied by the Clearing House towards the payment of any sum whatsoever due by that Sponsored Member to the Clearing House whether or not arising under these SC Regulations, save that, with respect to Agent Members and subject to Rule 8(d) of the Default Rules, no amounts standing to the credit of such accounts (other than to the extent not already included in the relevant SM/AM Current Collateral Balance, Agent Buffer or Agent Resource Contribution, as applicable) shall be applied in or towards payment or satisfaction of all or any of the Sponsored Member's liabilities to the Clearing House. Amounts standing to the credit of a SM/AM Default Fund Account relating to Contributions made under the Default Rules may be applied as provided for in the Default Rules.

- (e) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these SC Regulations or otherwise, shall apply whether or not accounts are denominated in the same currency.
- (f) Interest calculated on a basis determined from time to time by the Clearing House in accordance with the SC Procedures, may at the Clearing House's discretion (but subject to the provisions of the Default Rules and SC Regulation 39(d) be paid, or, in the case of negative interest rates, be charged, on amounts standing to the credit of any SM/AM Account and/or Agent Buffer Account and/or ARC Account (as applicable).
- (g) Debit balances due to the Clearing House on any account opened in respect of a Sponsored Member or Agent Member are payable by such Sponsored Member or Agent Member on demand and interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made), on a basis and at a rate determined from time to time by the Clearing House in accordance with the SC Procedures.
- (h) Subject to the provisions of the Default Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration shall be effective in respect of all current and future business on the date notified to Sponsored Members and Agent Members, as applicable in accordance with the SC Procedures.
- (i) If a Sponsored Member specifies a Termination Date under SC Regulation 27, the Sponsored Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent; but excluding any claims in respect of the outstanding balance of an Agent Member's Contribution under Rule 16 of the Default Rules) due as between the Clearing House and the Sponsored Member, provided, however, that a Termination Amount or other sum payable in respect of an amount recorded in or referable to a kind of account may not be combined or set-off against any other amount, unless such other amount is recorded in or referable to the same kind of account. For the purposes of this paragraph, the SM/AM Accounts of a Sponsored Member associated with the same Agent Member shall together constitute a single "kind of account".
- (j) Where a payment has been made to the Clearing House by an Agent Member through the PPS, that payment will only be credited to the account of such Agent Member or its corresponding Sponsored Member if it: (i) is paid into an account of the Clearing House with an institution which is solvent; (ii) that institution has performed its concentration function (being the transfer of net funds from the institution to a central account in the name of the Clearing House); and (iii) the institution has made the relevant payments to other Members on the date when the payment was due to be received by the Clearing House.

**CHAPTER IV – CONTRACT FORMATION AND REGISTRATION****REGULATION 11 NOVATION**

Upon registration of an original contract by the Clearing House, such contract shall be replaced by novation by two open contracts, one between the seller and the Clearing House as buyer, as principals to such contract, and one between the buyer and the Clearing House as seller, as principals to such contract. Following such novation, the original contract shall be extinguished. Each open contract shall be subject to the SC Regulations including the restrictions on the Clearing House's obligations and liabilities set out in the SC Regulations (including, without limit, SC Regulation 35), and otherwise on the same terms as the original contract replaced by such open contracts.

**REGULATION 12 REGISTRATION**

- (a) Where the SC Procedures so provide, the Clearing House may require the Sponsored Members in whose names one or more contracts are to be registered, to transfer (or procure the transfer of) Collateral to the Clearing House in respect of their initial and variation margin obligations, as a condition of registration of such contract or contracts, and such Collateral shall be transferred to the Clearing House in accordance with SC Regulation 15 and, if applicable, the SC RepoClear Regulations.
- (b) The Clearing House will only register a Contract in the name of a Sponsored Member where it meets the RepoClear Trade Registration Eligibility Criteria.
- (c) The Clearing House may decline to register a contract in the name of a Sponsored Member where it considers such action advisable for its own protection or the protection of the relevant market. The Clearing House may, without assigning any reason, make the registration of any contract subject to any conditions stipulated by the Clearing House including, without limitation, the transfer of sufficient Collateral by or for the account of the Sponsored Member in whose name any such contract is to be registered.
- (d) The Clearing House shall be deemed to register in the name of a Sponsored Member a Contract at the Registration Time in respect of such Contract, provided that, in the case of a Contract registered by the Clearing House pursuant to Rule 6 of the Default Rules, the Registration Time shall be deemed to be the time chosen by the Clearing House whereupon this SC Regulation 12 shall take effect.
- (e) Without prejudice to the Clearing House's rights under paragraph (f) below, a Sponsored Member shall be bound by a Contract registered in its name pursuant to the presentation of particulars of a RepoClear Transaction or RepoClear Term £GC Transaction by the Sponsored Member.
- (f) For the avoidance of doubt, any transaction of which details have been submitted by a Sponsored Member for registration as a Contract, which is not so registered, shall remain in effect between the original parties to that transaction or be terminated, as the case may be, according to any terms agreed between the parties thereto and the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.
- (g) Without prejudice to the Clearing House's rights under paragraph (h) below, OTC Transactions submitted for registration must, in order that it be registered as the relevant type of Contract, meet the eligibility criteria and other requirements as prescribed on the Clearing House's website for the relevant type of Contract, at the time when the details (as prescribed from time to time by the Clearing House) of the OTC Transaction are presented to the Clearing House, and at all times thereafter up to and including the Registration Time. A Sponsored Member may not revoke or cancel an OTC Transaction that has been submitted for registration unless permitted (as applicable) by the relevant SC Regulations or the relevant SC Procedures or with the consent of the Clearing House. A Sponsored Member may not transfer an OTC



Transaction. A Sponsored Member shall not allow the submission for registration of a transaction which is not a relevant OTC Transaction.

- (h) If at any time after registration of a Contract, the Clearing House determines that the corresponding transaction, of which details were submitted for registration, did not at the Registration Time, meet the eligibility criteria for registration as a Contract, the Clearing House shall, as soon as practicable thereafter, set aside each such Contract. Upon the purported Contract being set aside under this SC Regulation 12, the particulars of the transaction in question shall be deemed never to have been submitted to the Clearing House (and such transaction shall remain in effect between the original parties thereto or be terminated, as the case may be, in accordance with any terms agreed between them). Any payment made under, or in respect of, a Contract set aside under this paragraph shall be repayable to the person who made the payment and any securities delivered under such Contract shall be re-delivered to the person who made the delivery of such securities. Without prejudice to SC Regulation 35 and its obligations under this SC Regulation 12, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents), shall have no liability whatsoever to any person arising out of or in respect of the registration by it in error or otherwise of a contract as a Contract in respect of a transaction which did not meet the eligibility criteria at the Registration Time, to enable it to be registered as the relevant type of Contract.
- (i) An OTC Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as two Contracts, one between the First Member as the seller and the Clearing House as the buyer, as principals to such contract, and the other between the Clearing House as the seller and the Second Member as the buyer, as principals to such contract. For the purposes of this SC Regulation 12:
- (i) "First Member" is a Clearing Member who was, before registration of the Contract, party to the corresponding OTC Transaction as the seller; and
- (ii) "Second Member" is a Clearing Member who was, before registration of the Contract, party to the corresponding OTC Transaction as the buyer,
- provided that at least one of the First Member and the Second Member is a Sponsored Member.
- (j) With effect from registration of an OTC Transaction as two Contracts under paragraph (h) above:
- (i) the parties to the corresponding OTC Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;
- (ii) a Contract registered in the name of a Sponsored Member under subparagraph (i) above of this SC Regulation 12 shall be governed by the relevant Contract Terms applicable to that Contract and the SC Regulations and SC Procedures;

- (iii) subject always to sub-paragraph (ii) above, the First Member shall have the same rights against, and owe the same obligations to, the Clearing House under the respective Contract to which it is a party as the seller and owed in respect of its counterparty under the corresponding OTC Transaction; and
- (iv) subject always to sub-paragraph (ii) above, the Second Member shall have the same rights against, and owe the same obligations to, the Clearing House under the respective Contract to which it is a party as the buyer and owed in respect of its counterparty under the corresponding OTC Transaction.

In sub-paragraphs (iii) and (iv) above, a reference to the "same" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the Economic Terms of the corresponding OTC Transaction (it being assumed, for this purpose, that such OTC Transaction was a legal, valid, binding and enforceable obligation of the parties thereto and, in the case of an OTC Transaction, that the Economic Terms thereof were as presented to the Clearing House for registration), notwithstanding the change in the person entitled to them or obliged to perform them and subject to any changes thereto as a result of the operation of the Standard Terms.

- (k) If an OTC Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration, that revocation, avoidance or invalidity shall not affect any Contract, unless otherwise determined by the Clearing House.
- (l) In the case of a RepoClear Transaction, the Clearing House may, with the agreement of the relevant Sponsored Member and the other Sponsored Member or the RepoClear Clearing Member party to corresponding RepoClear Contracts or RepoClear Term £GC Contracts, set aside or take such other steps with respect to such Contracts on such terms as may be agreed if either or both such parties consider that they have entered into a Contract in error or have agreed to certain terms of the Contract in error.

**REGULATION 13 TRADING INFORMATION**

The Clearing House shall make available to a Sponsored Member and the corresponding Agent Member, in the manner and by the time prescribed by the SC Procedures, such details of original contracts presented for registration in the name of that Sponsored Member, open contracts registered in that Sponsored Member's name, and Collateral transferred to the relevant SM/AM Account(s) of the Clearing House associated with that Sponsored Member/Agent Member relationship as may be prescribed in the SC Procedures.

## **REGULATION 14 TRANSACTIONS ENTERED INTO THROUGH A TRADING SYSTEM**

- (a) This SC Regulation 14 applies in respect of RepoClear Contracts or RepoClear Term £GC Contracts entered into by the Clearing House under SC Regulation 37(d).
- (b) Any Contract to which this SC Regulation applies which is entered into by the Clearing House with Sponsored Members, shall be registered in the name of each relevant Sponsored Member, following receipt of the details required by the Clearing House of such Contracts, from the operator of the relevant Trading System (in accordance with the arrangements made between the Clearing House and such Trading System from time to time), as applicable.
- (c) If the details required by the Clearing House in respect of a Contract to which this SC Regulation 14 applies are not provided to the Clearing House by the operator of the relevant Trading System, in accordance with the Clearing House's requirements, by the time prescribed by the Clearing House from time to time, or the Clearing House is not able to access such details, the Clearing House may decree that neither the Clearing House nor the Sponsored Member party thereto shall be obliged to perform their respective obligations under the Contracts in question. If the Clearing House so decrees, such Contracts shall be performed in accordance with any directions given by the Clearing House which may, without limitation, impose a change to the terms of an affected Contract. Any directions given by the Clearing House under this paragraph shall be binding on all affected Sponsored Members and the corresponding Agent Members and Back-up Agents (as applicable).
- (d) Without prejudice to SC Regulation 35, the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall not be liable to any Sponsored Member or anyone else for any loss, cost, damage or expense of whatsoever nature suffered or incurred by it or them in respect of any Contract to which this SC Regulation 14 applies, if the Clearing House does not receive the relevant details referred to in paragraph (c) above by the time referred to in paragraph (c) above, in respect of such Contract.
- (e) If the Clearing House receives details of a trade from a Trading System specified by a Trading System Participant by notice given under SC Regulation 37(b) and the details of the trade purportedly meet the RepoClear Trade Registration Eligibility Criteria set out in SC Regulation 37(c), the Matching System Participant or the Sponsored Member of the relevant Trading System Participant (as the case may be), shall be bound by any RepoClear Contract or RepoClear Term £GC Contract registered in its name in respect of such trade or match and the terms of such registered Contract shall be as set out in SC Regulation 37(b).
- (f) Without prejudice to paragraph (e) above, the Clearing House may, with the agreement of the Members party to corresponding RepoClear Contracts or RepoClear Term £GC Contracts, set aside or take such other steps with respect to such contracts on such terms as may be agreed, if either or both Members consider that they have entered into a contract in error or that certain terms of the contract have been agreed by them or their respective Trading System Participants in error.

**CHAPTER V – COLLATERAL AND VALUATIONS****REGULATION 15 MARGIN AND COLLATERAL**

- (a) Subject to paragraph (b) below, the Clearing House may in accordance with the SC Procedures, require a Sponsored Member to transfer (or procure the transfer of) Collateral to the Clearing House, and to maintain a SM/AM Current Collateral Balance, in an amount or of a value determined by the Clearing House, as security for the performance by such Sponsored Member of its obligations to the Clearing House in respect of all contracts from time to time to be registered in its name as open contracts pursuant to these SC Regulations. The obligation upon a Sponsored Member to transfer (or procure the transfer of) Collateral to the Clearing House pursuant to this paragraph shall be in addition to any other obligation of the Sponsored Member to transfer (or procure the transfer of) Collateral or make any other payment to the Clearing House pursuant to these SC Regulations or any OTC Contract Terms.
- (b) The Clearing House may in accordance with the SC Procedures require a Sponsored Member to transfer (or procure the transfer of) Collateral to the Clearing House in respect of any margin in circumstances prescribed by the SC Regulations and the SC Procedures in respect of any open contract registered in the Sponsored Member's name. A Sponsored Member may outsource to its Agent Member, the provision of Collateral to the Clearing House. In such circumstances the obligation to provide Collateral remains a principal obligation of the Sponsored Member. Collateral shall be transferred by the Sponsored Member or its corresponding Agent Member in such form and manner and by such time or times as may be prescribed by the SC Procedures.
- (c) If insufficient Collateral is standing to the credit of a Sponsored Member's account, or if any assets or monies transferred by or for the account of a Sponsored Member to the Clearing House as Collateral are determined by the Clearing House, in accordance with the SC Procedures to be insufficient, such Collateral as the Sponsored Member is required to transfer (or procure the transfer of) to the Clearing House pursuant to paragraph (a) above or SC Regulation 12 or the SC RepoClear Regulations, as applicable, shall be transferred to the Clearing House by the Sponsored Member or its corresponding Agent Member, where a Sponsored Member has failed to make such transfer (as applicable) in such form and manner and by such time or times as may be prescribed by the SC Procedures.
- (d)
- (i) The Clearing House shall be entitled to assume that all securities and other assets transferred by or for the account of a Sponsored Member or its corresponding Agent Member, to the Clearing House as Collateral, pursuant to these SC Regulations or under the terms of any agreement made with the Sponsored Member or its corresponding Agent Member(s), are the sole legal and beneficial property of the Sponsored Member or the corresponding Agent Member (as applicable) or are transferred for the purposes of these SC Regulations with the legal and beneficial owner's unconditional consent and free of such owner's interest. Neither the Sponsored Member nor its corresponding Agent Member may transfer securities or other assets to the Clearing House as Collateral otherwise than in conformity with this paragraph.

It shall be accepted by every person dealing on the terms of these SC Regulations that a Sponsored Member or its corresponding Agent Member (as applicable), has such person's unconditional consent to transfer to the Clearing House as Collateral, for the purposes of these SC Regulations, any securities or other assets of such person in the Sponsored Member's or its corresponding Agent Member's possession, free of such person's interest.

- (ii) Each Sponsored Member and each corresponding Agent Member represents and warrants to the Clearing House as at each date on which such Sponsored Member or corresponding Agent Member (as applicable) transfers securities or other assets to the Clearing House as Collateral pursuant to these SC Regulations: (a) that such Sponsored Member or corresponding Agent Member (as applicable) is the sole legal and beneficial owner of those securities or other assets or, as the case may be, those securities or other assets are so transferred with the legal and beneficial owner's unconditional consent and free of such owner's interest; and (b) that the provision to the Clearing House of such securities or other assets pursuant to these SC Regulations will not constitute or result in a breach of any trust, agreement or undertaking whatsoever.
- (iii) The Clearing House may, in its absolute discretion and at any time require a Sponsored Member to transfer (or procure the transfer of) and/or require an Agent Member to transfer, other securities or assets to the Clearing House in substitution of any securities or assets transferred to the Clearing House pursuant to this SC Regulation 15.
- (e) The rate of initial margin in respect of each category of OTC Contract shall be determined from time to time by the Clearing House, and such rate shall be published from time to time by the Clearing House.
- (f) Notwithstanding paragraph (e) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to a Sponsored Member or its corresponding Agent Member, to modify the rate of initial margin applicable to an OTC Contract or to demand larger or additional amounts of Collateral in respect of the initial margin obligations of a Sponsored Member, either before registration of a contract or at any time after registration. Any Collateral demanded by the Clearing House pursuant to this paragraph shall be transferred by the Sponsored Member or its corresponding Agent Member to the Clearing House on demand and in such form as the Clearing House may require.
- (g) The Clearing House shall be entitled at any time to demand a Sponsored Member transfer (or procure the transfer of) Collateral immediately, in respect of that Sponsored Member's margin obligations in an amount deemed necessary by the Clearing House, without reference to official quotations or Reference Prices in respect of any open contract in the Sponsored Member's name, if, in the opinion of the Clearing House, the transfer to the Clearing House of such Collateral by or for the account of the Sponsored Member is necessary in the circumstances then prevailing, which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the Sponsored Member's performance of its obligations under the terms of such contracts or under the terms of any original or confirmed contract to which the Sponsored Member is party.

- (h) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and published on the Clearing House's website, in respect of any non-cash Collateral (other than Sponsored Member Returned Collateral or Sponsored Member Applied Collateral) transferred to the Clearing House. Any alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time as published on the Clearing House's website.
- (i) Without prejudice to the requirements of paragraph (e) above, the Clearing House may at its absolute discretion accept Collateral to an agreed amount in a form other than those specified in the SC Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of Collateral, in accordance with its standard risk management procedures and to any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.
- (j) If, in the opinion of the Clearing House, any asset which has been transferred to it by a Sponsored Member or its corresponding Agent Member as Collateral pursuant to these SC Regulations, is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further Collateral be transferred by a Sponsored Member or Agent Member for the account of such Sponsored Member or be transferred by such Agent Member for the Agent Members' own account. Such Collateral shall be transferred by such Sponsored Member or its corresponding Agent Member to the Clearing House on demand in a form prescribed by the SC Procedures, provided that at any time the Clearing House shall be entitled to require the Sponsored Member to transfer (or procure the transfer of) or require such Agent Member to transfer Collateral to the Clearing House in a specified form and to demand that the Sponsored Member replace (or procure the replacement of) or that such Agent Member replace, the whole or part of any asset transferred to the Clearing House by that Sponsored Member or such Agent Member pursuant to these SC Regulations with Collateral in the form of cash.
- (k) Any request by a Sponsored Member or an Agent Member (including, for the avoidance of doubt, a Resigning Sponsored Member, Resigning Agent Member, Retiring Sponsored Member or Retiring Agent Member) for the release or return of excess Collateral shall be dealt with in accordance with the SC Procedures.
- (l) If the Clearing House takes any step or steps under the Default Rules in relation to a Sponsored Member, any sum (including without limitation the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the Sponsored Member) standing to the credit of any of the Sponsored Member's accounts shall be treated as Collateral.
- (m) If the Clearing House takes any step or steps under the Default Rules in relation to an Agent Member, any sum (including without limitation the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the Sponsored Member and/or Agent Member (as applicable)) standing to the credit of any of the Agent Member's Agent Buffer Accounts may be treated as Collateral.

- (n) Unless the Clearing House otherwise agrees in writing or as expressly contemplated by the SC Rulebook, neither a Sponsored Member nor its corresponding Agent Member may assign or otherwise transfer its right to the return of any Collateral transferred to the Clearing House in the form of cash. Any such purported assignment or transfer by a Sponsored Member or its corresponding Agent Member (whether by way of security or otherwise) shall be void. Neither a Sponsored Member nor an Agent Member shall otherwise encumber (or seek to encumber) its right to the return of any cash Collateral transferred by it or for its account to the Clearing House.
- (o) Any references in the SC Rulebook to: (i) Collateral deposited or held by or with the Clearing House, a Sponsored Member or an Agent Member or in an account maintained by the Clearing House, a Sponsored Member or an Agent Member; (ii) balances of Collateral with the Clearing House, a Sponsored Member, or an Agent Member or in an account maintained by the Clearing House, a Sponsored Member or an Agent Member; and (iii) Collateral credited to an account maintained by the Clearing House, a Sponsored Member or an Agent Member (and any phrases describing similar concepts), shall be construed as including:
- (i) all Collateral transferred to the Clearing House by that Sponsored Member or its corresponding Agent Member or for the account of that Sponsored Member (as applicable);
  - (ii) all Collateral transferred to that Sponsored Member or its corresponding Agent Member (as applicable) by the Clearing House; and
  - (iii) any Applied Collateral Excess Proceeds credited to that Sponsored Member's and/or its corresponding Agent Member's account by the Clearing House, but as excluding any relevant Sponsored Member Returned Collateral, Sponsored Member Applied Collateral, Agent Member Returned Collateral, Agent Member Applied Collateral, Clearing House Returned Collateral and/or Clearing House Applied Collateral (as applicable).
- (p) Expressions in the SC Rulebook such as "furnish", "provide", "deposit" and "post" (and similar expressions) are used to describe the act of transferring Collateral to or, as the case may be, from, the Clearing House and, when used in conjunction with such expressions, expressions in the SC Rulebook such as "margin", "cover for margin" and "collateral" (and similar expressions) are used to describe the collateral which is transferred to or, as the case may be, from, the Clearing House. Where the context so permits, references to Collateral being held in an account means that the Collateral is recorded in the books and records of the Clearing House as being attributable to a particular Sponsored Member and, where applicable, its corresponding Agent Member. Where the SC Rulebook so provides, references to Collateral being "transferred" from the Clearing House to the Sponsored Member may include the Clearing House recording in its books and records such Collateral as being attributable to the Sponsored Member and held in an account of the Sponsored Member and, where applicable, its corresponding Agent Member with the Clearing House.
- (q) The SC Rulebook shall be construed such that:



- (i) save as stated in sub-paragraph (ii) below, all transfers of Collateral to or, as the case may be, from, the Clearing House are effected on an outright title-transfer basis (with there being no intention to create any form of *in rem* security interest in such collateral, and despite any references to such collateral being held by the Clearing House, a Sponsored Member or an Agent Member or in an account maintained by the Clearing House, a Sponsored Member or an Agent Member or to such collateral being credited to an account maintained by the Clearing House, a Sponsored Member or an Agent Member (or to similar concepts));
  - (ii) wherever a Sponsored Member or Agent Member transfers non-cash Collateral to the Clearing House under a Deed of Charge, the Clearing House holds the Collateral as custodian for the Sponsored Member or Agent Member which transferred it (or for whose account it was transferred), on and subject to the terms of the Deed of Charge between the Clearing House and that Sponsored Member or between the Clearing House and the Agent Member;
  - (iii) wherever a Sponsored Member transfers non-cash Collateral to the Clearing House under a Title Transfer Contract, the Sponsored Member transfers legal and beneficial title in that Collateral to the Clearing House on and subject to the terms of the Title Transfer Contract between the Clearing House and the Sponsored Member;
  - (iv) wherever the Clearing House is required to return cash Collateral or Applied Collateral Excess Proceeds to a Sponsored Member or an Agent Member (as applicable) or a Sponsored Member and/or an Agent Member is required to return cash Collateral to the Clearing House, that requirement is to pay an amount of cash equal to the amount expressed to be so required to be returned; and
  - (v) wherever the Clearing House is required to return non-cash Collateral to a Sponsored Member and/or an Agent Member (as applicable), that requirement is to return (unless otherwise provided in the SC Procedures) the same non-cash Collateral (or equivalent non-cash Collateral) as was transferred to the Clearing House by the Sponsored Member or Agent Member (as applicable) and to release the same from the security created by the relevant Deed of Charge.
- (r) In determining the amount of Collateral which the Clearing House requires to be transferred to or from the Clearing House pursuant to the SC Rulebook, the Clearing House shall take into account the amount of any Collateral which has previously been determined as being required to be transferred to or from the Clearing House but which, at the time of that determination, has not been so transferred.
- (s) Upon the Clearing House being satisfied (acting in good faith) that all obligations of a Sponsored Member or an Agent Member pursuant to the SC Rulebook have been irrevocably paid or discharged in full and that no such obligations are capable of arising:
- (i) the Clearing House shall: (A) in the case of cash Collateral transferred to the Clearing House for the purpose of collateralising that Sponsored Member's

- obligations (other than any constituting Sponsored Member Returned Collateral or Sponsored Member Applied Collateral), pay an amount of cash to that Sponsored Member or its corresponding Agent Member (as applicable) equal to such cash; and (B) in the case of non-cash Collateral transferred to the Clearing House for the purpose of collateralising that Sponsored Member's obligations (other than any constituting Sponsored Member Returned Collateral or Sponsored Member Applied Collateral), transfer that same Collateral (or equivalent Collateral) to that Sponsored Member or its corresponding Agent Member (as applicable); and
- (ii) the Clearing House shall: (A) in the case of cash Collateral transferred to the Clearing House for the purpose of collateralising that Agent Member's obligations (other than any constituting Agent Member Returned Collateral or Agent Member Applied Collateral), pay an amount of cash to that Agent Member equal to such cash; and (B) in the case of non-cash Collateral transferred to the Clearing House for the purpose of collateralising that Agent Member's obligations (other than any constituting Agent Member Returned Collateral or Agent Member Applied Collateral), transfer that same Collateral (or equivalent Collateral) to that Agent Member (as applicable); and
  - (iii) the Sponsored Member or Agent Member shall, in the case of cash Collateral transferred to the Sponsored Member or Agent Member for the purpose of collateralising the Clearing House's obligations (other than any constituting Clearing House Returned Collateral or Clearing House Applied Collateral), transfer (or procure the transfer of) an amount of cash to the Clearing House equal to such cash.
- (t) Wherever this SC Rulebook contemplates the transfer of Collateral to or for the account of a Sponsored Member or a return of Collateral to or for the account of a Sponsored Member:
- (i) a transfer of Collateral by the corresponding Agent Member of a Sponsored Member in accordance with this SC Rulebook shall satisfy and discharge in full the obligation of a Sponsored Member to transfer such Collateral to the Clearing House under this SC Rulebook; and
  - (ii) a transfer of Collateral by the Clearing House to the corresponding Agent Member of a Sponsored Member in accordance with this SC Rulebook shall satisfy and discharge in full the obligation of the Clearing House to transfer such Collateral to the Sponsored Member under this SC Rulebook.
- (u) By virtue of the Agent Membership Agreement, each Agent Member grants a separate limited recourse indemnity to the Clearing House in respect of the portion of each of its Sponsored Member's obligations collateralised by Collateral transferred by such Agent Member for the account of each such Sponsored Member (other than any constituting Sponsored Member Returned Collateral or Sponsored Member Applied Collateral) (the "**Indemnified Sponsored Member Obligations**"). The amount of each such indemnity is limited to an amount equal to the relevant Indemnified Sponsored Member Obligations.

- (v) Wherever the SC Rulebook contemplates an obligation of a Sponsored Member and/or Agent Member (as applicable) being discharged by the Clearing House using, or otherwise applying, cash Collateral transferred to the Clearing House for the purpose of collateralising that Sponsored Member's and/or Agent Member's obligations (as applicable) to the Clearing House (including any Applied Collateral Excess Proceeds), the manner in which such discharge shall occur is by, as applicable:
- (i) the acceleration of the Clearing House's obligation to return that cash Collateral or Applied Collateral Excess Proceeds (or a portion of either) to that Sponsored Member (but only in an amount which does not exceed the obligation of that Sponsored Member which is to be so discharged) and the set-off of that transfer obligation against that Sponsored Member's obligation which is to be so discharged; or
  - (ii) the acceleration of the Clearing House's obligation to return that cash Collateral or Applied Collateral Excess Proceeds (or a portion of either) to one or more corresponding Agent Members (but only in an amount which does not exceed the Indemnified Sponsored Member Obligations which are to be so discharged) and the set-off of that transfer obligation against that Agent Member's obligation to indemnify the Clearing House for the Indemnified Sponsored Member Obligations under paragraph (u) above.
- (w) Wherever the SC Rulebook contemplates an obligation of the Clearing House being discharged by a Sponsored Member or an Agent Member (as applicable) using, or otherwise applying, cash Collateral transferred to that Sponsored Member or an Agent Member for the purpose of collateralising the Clearing House's obligations to that Sponsored Member or Agent Member (as applicable), the manner in which such discharge shall occur is by the acceleration of that Sponsored Member's and/or Agent Member's obligation to return that cash Collateral to the Clearing House (but only in an amount which does not exceed the obligation of the Clearing House which is to be so discharged) and the set-off of that transfer obligation against the Clearing House's obligation which is to be so discharged.

**REGULATION 16 AGENT BUFFER**

- (a) An Agent Member is required to transfer Collateral to the Clearing House in order to cover any shortfall in margin or Contributions (as required), in connection with Contracts of its Sponsored Members for which it is the Agent Member. The value of such Collateral transfers shall be determined by the Clearing House on the basis of the positions of the open Contracts of Sponsored Members attributed to such Agent Member in accordance with the SC Procedures (the "**Agent Buffer**"), shall be recorded by the Clearing House as attributable to such Agent Member and shall be attributed to its Agent Buffer Account with the Clearing House.
- (b) An Agent Member's Agent Buffer may be applied by the Clearing House towards the payment of:
- (i) margin required by the Clearing House for the account of a Sponsored Member of such Agent Member, with respect to Contracts of one or more of its Sponsored Members;
  - (ii) Contributions required from such Agent Member to the Clearing House, with respect to Contracts of one or more of its Sponsored Members,

where such amounts have or would not been paid when due, in whole or in part, by such Sponsored Member or such Agent Member for the account of such Sponsored Member (as applicable).

- (c) In the event of simultaneous shortfalls in relation to margin due from a Sponsored Member and Contributions for the account of the same Sponsored Member, in each case with respect to the Contracts attributed to a corresponding Agent Member, the Clearing House will use such Agent Member's Agent Buffer in order to meet any such shortfall.
- (d) The Clearing House shall be entitled to apply the Agent Buffer to cover margin obligations that have been called by the Clearing House prior to a Sponsored Members' default but which have not been paid by its corresponding Agent Member.
- (e) Any Agent Buffer that is applied by the Clearing House to cover:
- (i) required margin, will form a part of the corresponding SM/AM Current Collateral Balance upon being recorded in the relevant SM/AM Account and/or upon the Clearing House in its sole discretion determining that there are insufficient funds standing to the account of the Sponsored Member in the relevant SM/AM Account; and
  - (ii) required Contributions, will form a part of the corresponding Sponsored Member's default fund upon being recorded in the relevant SM/AM Default Fund Account or applied in accordance with Rule 15 of the Default Rules, as applicable.
- (f) If there is a shortfall in the Agent Buffer as a result of the Clearing House applying the Agent Buffer in accordance with this SC Regulation 16 or a shortfall in the SM/AM Account resulting in a requirement to use Agent Buffer to cover the liabilities on the SM/AM Account, the Clearing House will call Collateral (as

determined by the Clearing House acting in its discretion) from the Agent Member to restore the Agent Buffer at the level required by the Clearing House in accordance with the SC Procedures.

- (g) In the event of a Paying Agent Resignation, the Clearing House shall be entitled to apply a Resigning (Payment Services) Agent Member's Agent Buffer in accordance with Regulation 7(t) and the SC Procedures.

**REGULATION 17 AGENT RESOURCE CONTRIBUTION**

- (a) An Agent Member is required to transfer Collateral to the Clearing House in order to provide pre-funded financial resources to cover losses arising from the Default of its Sponsored Members and any another Clearing Member (in accordance with paragraph (d) below). The value of such pre-funded financial resources shall be determined by the Clearing House on the basis of the Contributions of the Agent Member in respect of the Open Contracts of Sponsored Members attributed to such Agent Member in accordance with the SC Procedures (the "**Agent Resource Contribution**"), shall be recorded by the Clearing House as attributable to such Agent Member and shall be attributed to its ARC Account with the Clearing House.
- (b) An Agent Member's Agent Resource Contribution may be applied by the Clearing House following the Default of one of its Sponsored Members, towards the reduction of losses in accordance with Rule 15 of the Default Rules. If a Default occurs in relation to more than one Sponsored Member of the same Agent Member, the Agent Resource Contribution shall be applied towards the reduction of losses in accordance with Rule 15 of the Default Rules on a first to default basis. If a Default occurs simultaneously in relation to more than one Sponsored Member of the same Agent Member, the Agent Resource Contribution shall be applied towards the reduction of losses in accordance with Rule 15 of the Default Rules *pro rata* between such defaulting Sponsored Members, calculated as the proportion of such Agent Resource Contribution relative to the open Contracts of such defaulting Sponsored Members attributed to such Agent Member.
- (c) Any Agent Resource Contribution that is applied by the Clearing House towards the reduction of losses in accordance with Rule 15 of the Default Rules will no longer constitute Agent Resource Contribution.
- (d) An Affected Agent Member's Agent Resource Contribution may be applied by the Clearing House following the default of another Clearing Member in accordance with the provisions of Rule 15 of the Default Rules.
- (e) If there is a shortfall in the Agent Resource Contribution as a result of the Clearing House applying the Agent Resource Contribution in accordance with this SC Regulation 17, the Clearing House will call additional pre-funded resources from the Agent Member to restore the Agent Resource Contribution at the level required by the Clearing House in accordance with the SC Procedures provided that Agent Resource Contribution cannot be applied more than once by the Clearing House with respect to the Default of a Sponsored Member.

**REGULATION 18 OTHER MODES OF SETTLEMENT AND REVALUATION**

Settlement, revaluation and collateralisation procedures may be prescribed, in respect of open contracts which are OTC Contracts, in the SC Procedures. The relevant settlement, revaluation and collateralisation procedures (as applicable) may be effected by the Clearing House in accordance with such provisions.

**REGULATION 19 MARKET DISORDERS, IMPOSSIBILITY OF PERFORMANCE, TRADE EMERGENCY**

- (a) If the Clearing House, in relation to OTC Contracts, determines that one of the following conditions is satisfied, namely:
- (i) a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under a Contract; or
  - (ii) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under a Contract; or
  - (iii) the EU or any international organisation, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under a Contract; or has given notice of its intention to do so or appears to be about to do so;

then:

- (iv) in respect of such open contracts which are OTC Contracts as specified by the Clearing House, and notified to the affected Members, the Clearing House shall be entitled to invoice back such contracts in accordance with SC Regulation 21 and the SC Procedures at a price determined by the Clearing House or to require such Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, such contracts.

Accounts shall be made up by the Clearing House in accordance with the SC Procedures for each Sponsored Member who is a party to open contracts invoiced back pursuant to this paragraph. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of such contracts invoiced back notwithstanding any further change of circumstances.

- (b) If, in the opinion of the Clearing House after consultation with the relevant Board, a seller's complete performance of an open contract becomes impossible for any reason whatsoever (except in such circumstances as are set out in paragraph (a) above), the affected contract may at the Clearing House's option thereupon be closed by invoicing back at a price determined by the Board, and such price shall be binding on all affected parties. Accounts shall be made up by the Clearing House in accordance with the SC Procedures.

Any formal announcement made under this SC Regulation shall be made by notice posted by the Clearing House (or by other means as determined by the Clearing House) or as prescribed by the SC Procedures.



**REGULATION 20 FORCE MAJEURE**

- (a) Neither the Clearing House (nor any other member of the LCH Group) nor a Sponsored Member or Agent Member shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under the terms of these SC Regulations or of any Contract if such failure, hindrance or delay arises out of events or circumstances beyond its control. Such events or circumstances may include, but are not limited to, acts of God or the public enemy, acts of a civil or military authority other than the acts referred to in SC Regulation 19(a)(i), (ii) or (iii) above, terrorist or other criminal action, civil unrest, embargoes, fire, flood, labour dispute, unavailability or restriction of computer or data processing facilities, energy supplies, settlement systems or of bank transfer systems or wires, and any other causes beyond the parties reasonable control.
- (b) On the happening of any one or more of the events or circumstances referred to in paragraph (a) above, which shall immediately be notified by the party prevented, hindered or delayed from performing any of the obligations referred to in paragraph (a) above to the other, in respect of affected OTC Contracts, the Clearing House shall be entitled to require any of the affected Contracts to be performed in accordance with directions issued by the Clearing House or invoiced back in accordance with SC Regulation 21, or shall be entitled to require the Sponsored Member or Agent Member to take such action as the Clearing House may direct in respect of such Contracts.

## CHAPTER VI – INVOICING BACK AND CURRENCY CONVERSION

### REGULATION 21 INVOICING BACK

- (a) Invoicing back of a Sponsored Member's Contracts pursuant to SC Regulation 19 or 20 or otherwise shall be carried out by the Clearing House effecting and registering pursuant to the SC Procedures, opposite contracts between itself and the Sponsored Member at the price referred to in the relevant SC Regulation or, where applicable, in paragraph (c) below, and thereupon settling such Contracts against such opposite contracts.
- (b) Where open contracts are invoiced back pursuant to SC Regulation 19(a) or SC Regulation 19(b), the Clearing House shall credit or debit (as the case may be) the Sponsored Member's accounts affected by such invoicing back in accordance with SC Regulation 19(a) or SC Regulation 19(b), as applicable.
- (c) Opposite contracts effected and registered by the Clearing House pursuant to:
  - (i) paragraph (a) above, other than where done pursuant to the Default Rules, shall, subject to SC Regulation 19(a) or SC Regulation 19(b), be at a price or, in the case of OTC Contracts, at a price determined by the Clearing House, and, shall be binding as a final settlement upon the parties affected by invoicing back.
  - (ii) paragraph (a) above, pursuant to the Default Rules, shall be at a price determined by the Clearing House, and, shall be binding as a final settlement upon the parties affected by invoicing back, except that this paragraph shall be without prejudice to any further liability of the defaulting Sponsored Member to the Clearing House or to any additional rights which the Clearing House may have against the defaulting Sponsored Member, whether under these SC Regulations, at law or otherwise.
- (d) In this SC Regulation:
  - (i) "**net position**" means, in respect of RepoClear Contracts, one or more of such RepoClear Contracts against which the Sponsored Member, in whose name they are registered, has no matching RepoClear Contracts on the same Economic Terms;
  - (ii) "**opposite contract**" means a contract on the same terms (except as to price or premium), as the Contract to be invoiced back in accordance with this SC Regulation, but where a Sponsored Member is a seller, in respect of the RepoClear Contract to be invoiced back, such Sponsored Member shall be a buyer in respect of the opposite contract and vice versa.

**REGULATION 22 CURRENCY CONVERSION**

The Clearing House shall be entitled in its discretion to convert monies standing to the debit or credit of a Sponsored Member's accounts or Agent Member's accounts into such other currency or currencies as it thinks fit, such conversion to be effected at such reasonable rate or rates of exchange as the Clearing House may determine in accordance with the SC Procedures.

**CHAPTER VII – DISCLOSURE, FEES, RECORDS AND AMENDMENTS****REGULATION 23 DISCLOSURE AND REPORTING**

- (a) The Clearing House shall have authority to supply any information whatsoever concerning a Sponsored Member or Agent Member and its trading to: (a) any Regulatory Body which is entitled to receive or request any such details or information; (b) a member of the LCH Group; (c) any other person or body to which the Clearing House is, in its reasonable opinion, legally required to disclose the same; (d) any other person or body to which the Clearing House has agreed to provide such information; (e) a trade or data repository or similar body on an ongoing basis in the ordinary course of business; or (f) any securities depository or securities settlement system on an ongoing basis in the ordinary course of business.
- (b) The Clearing House shall also be entitled to supply any information whatsoever concerning a Sponsored Member or Agent Member to any person who has provided or may be contemplating entering into arrangements to provide the Clearing House directly or indirectly with stand-by or other finance, insurance cover, guarantee or other financial backing, which the Clearing House has been requested or is legally required to disclose, to assist such person in relation to the provision of, or continued provision of, such finance, insurance cover, guarantee or financial backing.
- (c) The Clearing House shall have authority: (a) to obtain and make use of information from securities depositories and/or any other trade repositories relating to a Sponsored Member or Agent Member; and (b) to disclose such information to any Regulatory Body which is entitled to receive or request any such information.

**REGULATION 24 FEES AND OTHER CHARGES**

- (a) The Clearing House shall be entitled to levy fees in respect of such matters and at such rates as may from time to time be prescribed. Such fees shall be payable by such Sponsored Members or such Agent Members, by such times, and in such manner as may be prescribed by the SC Procedures.
- (b) Accommodation charges made by the Clearing House pursuant to SC Regulation 15 shall be payable to the Clearing House by such Sponsored Members or such Agent Members, in such manner and by such times as may be prescribed by the SC Procedures.
- (c) Any changes to be made to the fees and charges payable pursuant to paragraphs (a) and (b) above shall take effect, as prescribed by the SC Procedures.

**REGULATION 25 RECORDS**

A Sponsored Member or Agent Member shall not be entitled to the return of any particulars, notices or any other documentation presented to the Clearing House pursuant to SC Regulations 11 and Regulation 18.

Notwithstanding any provision in the relevant Sponsored Membership Agreement or Agent Membership Agreement, SC Rulebook or any other agreement or contract to which the Clearing House may be a party, the Clearing House shall maintain all records and information on all contracts it has processed for a period of at least ten years.

**REGULATION 26 ALTERATION OF SC REGULATIONS AND THE SC PROCEDURES**

- (a) Unless the relevant Sponsored Membership Agreement or Agent Membership Agreement or these SC Regulations or the SC Procedures otherwise specifically provide in relation to any proposed alterations, amendment or extension, the Rules Change Committee (acting in accordance with its terms of reference) may from time to time, by notice delivered to such Sponsored or Agent Members, alter, amend or extend these SC Regulations and/or SC Procedures.
- (b) Any such alterations, amendments or extensions may be made with immediate effect or with such deferred effect as the Rules Change Committee shall determine. Any alterations, amendments or extensions to these SC Regulations and/or SC Procedures may take effect so as to apply to Contracts registered in a Sponsored Member's name at the time such alterations, amendments or extensions come into effect if the Rules Change Committee so determines.
- (c) The accidental omission to give notice under this SC Regulation to, or the non-receipt of notice under this SC Regulation by, any Sponsored Member or Agent Member shall not invalidate the amendment or extension with which the notice is concerned.

## CHAPTER VIII – NETTING AND DISTRIBUTION

### REGULATION 27 NETTING

- (a) If at any time the Clearing House fails to make a payment or a delivery of an asset to a Sponsored Member, other than a Defaulter, or any of its corresponding Agent Members, other than an Affected Agent Member (as applicable), under a Contract for a period of 30 days from the date when the obligation to pay or deliver fell due, then that Sponsored Member may exercise its rights under paragraph (c) below.
- (b) If at any time the Clearing House commences a voluntary case or other procedure seeking or proposing liquidation, administration, receivership, voluntary arrangement or a scheme of arrangement, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing cases or procedures is commenced in relation to the Clearing House by any other person which results in liquidation or winding up of the Clearing House, or if the Clearing House takes corporate action to authorise any of the foregoing, in any such case other than for the purposes of corporate restructuring (including any consolidation, amalgamation or merger), then a Sponsored Member, other than a Defaulter, may exercise the right given to it under paragraph (c) below.
- (c) A Sponsored Member entitled to exercise rights under this paragraph may, at any time whilst any of the circumstances referred to in paragraphs (a) or (b) above giving rise to such rights continue, by notice in writing to the Clearing House, specify a termination date ("**Termination Date**") (or Termination Dates, as applicable) for the termination and liquidation of all Contracts attributed to such Sponsored Member in respect of each Sponsored Member/Agent Member relationship (as identified by their unique mnemonic, a "**SM/AM Netting Set**") to which such Sponsored Member is a party and in accordance with paragraph (d) below.
- (d) Upon the occurrence of a Termination Date, with respect to the relevant SM/AM Netting Set:
- (i) none of the Clearing House, the Sponsored Member or its Agent Members (as applicable) shall be obliged to make any further payments or deliveries under any Contract between them which would, but for this SC Regulation 27, have fallen due for performance on or after the Termination Date, and any obligations to make further such payments or deliveries which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set-off or otherwise) of the Termination Amount;
  - (ii) on, or as soon as reasonably practicable after, the Termination Date the Sponsored Member shall (or shall nominate one of its Agent Members to) determine (discounting if appropriate) in respect of each Contract its total loss or, as the case may be, gain, in each case expressed in the lawful currency of the United Kingdom (the "**Base Currency**"), (and, if appropriate, including any loss of bargain, cost of funding or, without duplication, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedge or related trading position), as a result of the termination, pursuant to this agreement, of each payment or delivery which



would otherwise have been required to be made under such Contract (assuming satisfaction of each applicable condition precedent and having due regard to, if appropriate, such market quotations published on, or official settlement prices set by, a relevant exchange or clearing organisation, as may be available on, or immediately preceding, the date of calculation);

- (iii) any cash Collateral balance: (A) provided by the Sponsored Member and held by the Clearing House; and/or (B) provided by the Clearing House and held by the Sponsored Member, in respect of the other party's initial margin and/or variation margin obligations shall (to the extent not already due and payable) be accelerated so as to become immediately due and payable to the party who provided such cash Collateral, and on, or as soon as reasonably practicable after, the Termination Date the Sponsored Member shall (or shall nominate one of its Agent Members to) determine the Base Currency Equivalent of such amount(s). For the purposes of this SC Regulation 27, the "**Base Currency Equivalent**" means, in respect of any amount denominated in the Base Currency, such Base Currency amount and, in respect of any amount denominated in a currency other than the Base Currency (the "**Other Currency**"), the amount in the Base Currency determined by the Sponsored Member as being required to purchase such amount of such Other Currency as at the relevant Termination Date, with the Base Currency;
- (iv) the Sponsored Member shall treat each loss to it determined under sub-paragraph (ii) above and the Base Currency Equivalent of any amount of cash Collateral due and payable to it, as a positive amount and each gain by it determined under sub-paragraph (ii) above and the Base Currency Equivalent of any amount of cash Collateral due and payable by it, as a negative amount and, subject to sub-paragraph (v) below, shall aggregate all of such amounts to produce a single, net positive or negative amount, denominated in the Base Currency (the "**SM Termination Amount**");
- (v) if a SM Termination Amount determined pursuant to sub-paragraph (iv) above is a positive amount, the Clearing House shall pay it to the Sponsored Member and if any such SM Termination Amount is a negative amount, the Sponsored Member shall pay it to the Clearing House, in either case in accordance with sub-paragraph (ix) below. The Sponsored Member shall notify the Clearing House of each such SM Termination Amount, and by which party it is payable, immediately after the calculation thereof;
- (vi) with respect to Agent Members of the Sponsored Member other than Affected Agent Members, any cash Collateral balance provided by such an Agent Member and Agent Buffer held by the Clearing House in respect of the obligations of such an Agent Member shall (to the extent not already due and payable) be accelerated so as to become immediately due and payable to the Agent Member who provided such cash Collateral and Agent Buffer, and on, or as soon as reasonably practicable after, the Termination Date the Agent Member shall determine the Base Currency Equivalent of such amount(s) as well as any amounts owing by the Agent Member to the Clearing House, with respect to its activities regarding the related Sponsored Member but remaining unpaid;

- (vii) the Agent Member shall treat the Base Currency Equivalent of any amount of cash Collateral and Agent Buffer due and payable to it as a positive amount and each amount due and payable by it to the Clearing House as a negative amount and, subject to sub-paragraph (viii) below, shall aggregate all of such amounts to produce a single, net positive or negative amount, denominated in the Base Currency (the "**AM Termination Amount**" and, together with a SM Termination Amount, each a "**Termination Amount**");
- (viii) if an AM Termination Amount determined pursuant to sub-paragraph (vii) above is a positive amount, the Clearing House shall pay it to the Agent Member and if any such AM Termination Amount is a negative amount, the Agent Member shall pay it to the Clearing House, in either case in accordance with sub-paragraph (ix) below. The Agent Member shall notify the Clearing House of each such AM Termination Amount, and by which party it is payable, immediately after the calculation thereof;
- (ix) a Termination Amount shall, subject to SC Regulation 28, be paid in the Base Currency by the close of business on the business day following notification pursuant to sub-paragraphs (v) or (viii) above (converted as required by applicable law into any other currency, any costs of such conversion to be borne by, and (if applicable) deducted from any payment to, the Clearing House). Any Termination Amount which is not paid on such day shall bear interest, at the average rate at which overnight deposits in the currency of such payment are offered by major banks in the London interbank market as of 11:00 hours (London time) (or, if no such rate is available, at such reasonable rate as the Sponsored Member or, as applicable, the relevant Agent Member may select) plus 1 per cent. per annum, for each day for which any such sum remains unpaid; and
- (x) for the purposes of any calculation required to be made under this SC Regulation, the Sponsored Member or, as applicable, the relevant Agent Member may convert amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.

The Sponsored Member's and each of its Agent Member's rights under this SC Regulation 27 shall be in addition to, and not in limitation or exclusion of, any other rights which the Sponsored Member or, as applicable, each of its Agent Members may have (whether by agreement, operation of law or otherwise, including its rights under SC Regulation 10(i)).

- (e) If a Sponsored Member is a Defaulter and either:
  - (i) no default management process has been commenced by the Clearing House in respect of such Sponsored Member within 3 business days following a Default Notice being issued in respect of that Sponsored Member; or
  - (ii) such default management process has been commenced within such period but that Sponsored Member determines (acting reasonably) that the relevant default management process is unlikely to be completed,

then, provided that an event or circumstance as described in paragraph (a) above (ignoring, for this purpose, the words "other than a defaulter" in that paragraph) or (b) above has also occurred, the relevant Sponsored Member shall be entitled to exercise the rights provided under paragraph (c) above, notwithstanding that it is a Defaulter.

- (f) Interpretation in Relation to FDICIA. The Clearing House, each Sponsored Member and each Agent Member intend that certain provisions of the SC Regulations and the SC Procedures (including this SC Regulation 27) be interpreted in relation to certain terms that are defined in FDICIA, as follows:
- (i) The Clearing House is a "clearing organization".
  - (ii) An obligation of a Sponsored Member or an Agent Member to make a payment to the Clearing House, or of the Clearing House to make a payment to a Sponsored Member or an Agent Member, subject to a netting contract, is a "covered clearing obligation" and a "covered contractual payment obligation".
  - (iii) An entitlement of a Sponsored Member or an Agent Member to receive a payment from the Clearing House, or of the Clearing House to receive a payment from a Sponsored Member or an Agent Member, subject to a netting contract, is a "covered contractual payment entitlement".
  - (iv) The Clearing House is a "member", each Sponsored Member is a "member" and each Agent Member is a "member".
  - (v) The amount by which the covered contractual payment entitlements of a Sponsored Member, an Agent Member or the Clearing House exceed the covered contractual payment obligations of such Sponsored Member, such Agent Member or the Clearing House after netting under a netting contract is its "net entitlement".
  - (vi) The amount by which the covered contractual payment obligations of a Sponsored Member, an Agent Member or the Clearing House exceed the covered contractual payment entitlements of such Sponsored Member, such Agent Member or the Clearing House after netting under a netting contract is its "net obligation".
  - (vii) The SC Regulations and the SC Procedures, including this SC Regulation 27 constitute a "netting contract".
  - (viii) The provisions of the SC Rulebook (including the Default Rules) and the SC Procedures providing for the use and liquidation of Collateral each constitute a "security agreement of arrangement or other credit enhancement related to one or more netting contracts between any 2 members of a clearing organization".
  - (ix) For purposes of this SC Regulation 27, the term "payment" means "a payment of United States dollars, another currency, or a composite currency, and a noncash delivery, including a payment or delivery to liquidate an unmaturing obligation".

**REGULATION 28 DISTRIBUTION OF ASSETS**

- (a) Where (after any netting and set-off provided for in SC Regulation 27, SC Regulation 10(i), or otherwise) the Clearing House has insufficient assets available to it to pay all claims of the Clearing Members (determined under SC Regulation 27, Regulation 45 of the General Rulebook and Regulation 37 of the FCM Regulations) in full (including, for the avoidance of doubt, any claims in respect of outstanding Contributions under Rule 16(a)(i) of the Default Rules), such claims shall be met first in an amount equal to the sum of the outstanding Contributions of each Clearing Member or, in the case of a Sponsored Member, each of its Agent Members and, thereafter, *pro rata* to each Clearing Member's (including each Sponsored Member's and each Agent Member's) remaining claim, taking into account any amounts already received.
- (b) To the extent the Clearing House does not have sufficient assets available to it to pay each Clearing Member (including each Agent Member) the amount equal to the sum of its outstanding Contributions, the Clearing House shall distribute the assets available to it to Clearing Members (including Agent Members) in respect of their claims relating to outstanding Contributions in priority to other Clearing Members (including Sponsored Member and Agent Member) claims, in each case in an amount equal to the proportion that the outstanding Contributions of the relevant Clearing Member (including an Agent Member) bear to the aggregate of all outstanding Contributions of all Clearing Members (including Agent Members).

**REGULATION 29 SOLVENCY THREATENING TREASURY DEFAULT LOSS**

(a) In this SC Regulation:

**"Calculation Period"** means, in respect of a type of Business, a period of the number of days specified in the "Combined Loss Value" calculation in relation to the Fund Amount of that type of Business and ending on the business day preceding the date on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has occurred (and the terms "Business", "Combined Loss Value" and "Fund Amount" have the meanings set out in the Default Fund Rules);

**"Clearing Member"** shall mean a Clearing Member as defined in these SC Regulations;

**"Margin Weight"** means:

(i) the aggregate of the total margin requirement of an Agent Member's Sponsored Members (in respect of all such Sponsored Members' SM/AM Accounts) for each type of Business undertaken by the Agent Member's Sponsored Members, averaged over the relevant Calculation Period preceding a determination of a Solvency Threatening Treasury Default Loss under SC Regulation 29(b) below;

divided by

(ii) the total average margin requirement of all Clearing Members of the Clearing House during the same period; and

**"Treasury Default"** means, in connection with the Clearing House's treasury management activities, the default of: (A) an issuer of a debt instrument underlying a treasury management contract; and/or (B) a counterparty to a treasury management contract (including a deposit-taking institution), as determined by the Clearing House in its sole discretion.

- (b) In the event of a Treasury Default, the Clearing House may determine in its sole discretion that a loss has been caused by or arises out of a Treasury Default. If the Clearing House so determines, it must determine the quantum of that loss by ascertaining the gross amount of the loss and reducing it by EUR 15 million. The result is referred to as a **"Solvency Threatening Treasury Default Loss"**.
- (c) The Clearing House will, in respect of each Clearing Member, determine an amount of the Solvency Threatening Treasury Default Loss to be allocated to that Clearing Member, based on that Clearing Member's Margin Weight (an **"Allocated Loss"**). The day on which the Clearing House determines that a Solvency Threatening Treasury Default Loss has taken place shall be the determination day for the purposes of establishing the Calculation Period.
- (d) The maximum Allocated Loss that each Clearing Member can be allocated is equal to: (i) the total Clearing House treasury investment portfolio immediately prior to the Solvency Threatening Treasury Default Loss, reduced by EUR 15 million; multiplied by; (ii) that Clearing Member's Margin Weight. For the purpose of the calculation of Margin Weight, the margin requirements for any Clearing Member

who has become a Defaulter or, in the case of Agent Members, any of such Agent Member's Sponsored Members who has become a Defaulter, at any point prior to the date of allocation, shall be disregarded.

- (e) Each Clearing Member shall pay to the Clearing House within an hour of demand a cash amount equal to its Allocated Loss. The Clearing House shall be entitled to debit such cash amount from the PPS account associated with that Clearing Member's Proprietary Account (or in the case of an Agent Member, such Agent Member's PPS account).
- (f) Any determination made by the Clearing House, and any action taken by the Clearing House, pursuant to this SC Regulation is binding on a Clearing Member and may in no circumstances be challenged or called into question.
- (g) If, after exercising its rights under this SC Regulation, the Clearing House makes a recovery in respect of the Treasury Default, the Clearing House will (after deducting its own expenses) distribute the net proceeds of such recovery pro rata to the amount of the Allocated Loss paid by each Clearing Member in respect of that Treasury Default by crediting the relevant Clearing Member's Proprietary Account or, in the case of an Agent Member, such Agent Member's PPS Account. Nothing in this SC Regulation 29(g) obliges the Clearing House to pursue any litigation or take other action in order to recover the amounts contemplated hereby.

**CHAPTER IX – MISCELLANEOUS****REGULATION 30 SC PROCEDURES**

The SC Procedures shall take effect and shall be binding on Sponsored Members and Agent Members as if they formed part of these SC Regulations save that, in the event of any conflict between the provisions of these SC Regulations and the SC Procedures, the provisions of these SC Regulations shall prevail.

**REGULATION 31 INTERPRETATION OF THESE SC REGULATIONS**

- (a) In the event of inconsistency between the provisions of these SC Regulations or between these SC Regulations and the Rules or regulations or other contractual provisions of any trading platform or other undertaking, the provisions of these SC Regulations shall prevail.
- (b) The headings to these SC Regulations are for convenience only and shall not affect their interpretation.



**REGULATION 32 WAIVER**

No failure by the Clearing House to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under these SC Regulations shall operate as a waiver of the Clearing House's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereof or any other right or remedy.

**REGULATION 33 VALIDITY OF SC REGULATIONS AND ACTION**

If at any time any provision of these SC Regulations becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of these SC Regulations nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

**REGULATION 34 GOVERNING LAW AND JURISDICTION**

- (a) These SC Regulations and the SC Procedures, an OTC Contract, and all non-contractual or other obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.
- (b) The Clearing House and every Sponsored Member and Agent Member hereby irrevocably agree for the benefit of the Clearing House that the courts of England shall have exclusive jurisdiction to hear and determine any claim or matter arising from or in relation to any Contract or in relation to these SC Regulations which does not fall to be referred to arbitration, or to be dealt with under the Trading System Rules (as defined in SC Regulation 37(a)) pursuant to the provisions of SC Regulation 38 and each Sponsored Member and Agent Member irrevocably submits to such jurisdiction and to waive any objection which it might otherwise have to such courts being a convenient and appropriate forum, save that this submission to the exclusive jurisdiction of the English courts shall not (and shall not be construed so as to) limit the right of the Clearing House to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the taking of action in any other jurisdiction, whether concurrently or not.
- (c) Each Sponsored Member and Agent Member irrevocably waives, with respect to itself and its revenues and assets, all immunity on the grounds of sovereignty or other similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgement) and execution or enforcement of any judgement to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any proceedings.

**REGULATION 35 EXCLUSION OF LIABILITY**

- (a) Without prejudice to the provisions of SC Regulation 2 and paragraph (e) below, neither the Clearing House, nor any other member of the LCH Group shall have any liability whatsoever to any Sponsored Member or Agent Member or to any other person in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Sponsored Member or Agent Member or any other person, as the case may be, as a result of: (i) the failure of any systems, communication facilities or technology supplied, operated or used by the Clearing House; or (ii) any event which is outside the control of the Clearing House; any act or omission of the Clearing House.
- (b) Neither the Clearing House nor any other member of the LCH Group shall have any liability to a Sponsored Member or Agent Member or any other person in respect of any dispute arising from or in relation to any OTC Transaction, including, but not limited to, any dispute as to the validity or otherwise of such OTC Transaction, the terms of such OTC Transaction, or whether any alleged agreement or arrangement constitutes an OTC Transaction.
- (c) Without prejudice to the provisions of SC Regulation 2 and paragraph (e) below, neither the Clearing House nor any other member of the LCH Group shall have any liability whatsoever to any Sponsored Member or Agent Member, or to any other person in contract, tort (including without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred as a result of: any suspension of an OTC Clearing Service (or any part thereof), whether for a temporary period or otherwise, a step taken by the Clearing House under SC Regulation 12(h), SC Regulation 19, SC Regulation 20, or any failure or malfunction of any systems, communication lines or facilities, software or technology supplied, operated or used by the Clearing House; the occurrence of any event which is outside the control of the Clearing House; or any exercise by the Clearing House of its discretion under the SC Regulations, or any decision by the Clearing House not to exercise any such discretion.
- (d) Without prejudice to paragraph (c) above and paragraph (e) below, unless otherwise expressly provided in the SC Regulations or in any other agreement to which the Clearing House is party, neither the Clearing House nor any other member of the LCH Group shall have any liability under any circumstances (including, without limitation, as a result of any negligence by the Clearing House, or any other member of the LCH Group, or their respective officers, employees, agents or representatives), to any Sponsored Member or Agent Member, for any indirect or consequential loss or damage, or loss of anticipated profit (whether direct or indirect) or loss of bargain, suffered or incurred by any such Sponsored Member or Agent Member, and shall not in any circumstances be liable for any loss, cost, damage or expense suffered or incurred by any person as a result of any negligence on the part of the Clearing House, or any other member of the LCH Group, or their respective officers, employees, agents or representatives.
- (e) Nothing in this SC Regulation 35 shall be construed as an attempt by the Clearing House to exclude any liability for any fraud, fraudulent misrepresentation or wilful

default on the part of the Clearing House. The Clearing House accepts liability for any personal injury or death caused by the negligence of the Clearing House and for any fraud or wilful default on the part of the Clearing House.

- (f) For the purposes of the Contracts (Rights of Third Parties) Act 1999, save as is expressly set out herein, these SC Regulations, Default Rules and SC Procedures do not create any rights in any person(s) who is/are not Sponsored Members or Agent Members.
- (g) Without prejudice to SC Regulation 2 and paragraph (e) above, neither the Clearing House, nor any other member of the LCH Group, shall have any liability whatsoever to any Sponsored Member or Agent Member or to any other person in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Sponsored Member or Agent Member or any other person as the case may be, as a result of any service failure, whether complete or partial, of any payment or securities services provider, including (without limitation) any Securities System Operator (as defined in the Clearing House Settlement Finality Regulations), custodian, settlement agent, securities depository, securities settlement system, settlement facility or central bank.

**CHAPTER X – INTENTIONALLY LEFT BLANK**

**REGULATION 36 INTENTIONALLY LEFT BLANK**

## CHAPTER XI – SC REPOCLEAR REGULATIONS

## REGULATION 37 REPOCLEAR TRANSACTIONS ENTERED INTO THROUGH A TRADING SYSTEM

- (a) This SC Regulation 37 applies to Repo Trades, Bond Trades and Term £GC Trades made by Sponsored Members and sent to the Clearing House via a Trading System which such Sponsored Members are authorised by the Clearing House to use under the SC Procedures. In the event of any inconsistency between the SC Regulations (including any applicable terms of any other agreement entered into between the Sponsored Member or Agent Member and the Clearing House), and the Rules, practices, procedures and arrangements of the Trading System ("**Trading System Rules**"), the SC Regulations shall prevail.
- (b) If a "**Trading System Participant**" (defined for these purposes as a Sponsored Member who is a direct or indirect participant in a Trading System) has given notice to the Clearing House, in accordance with the SC Procedures, that it intends to carry out Repo Trades and/or Bond Trades and/or Term £GC Trades through a Trading System specified in its notice and has not withdrawn such notice in accordance with the SC Procedures, the Clearing House will enter into RepoClear Contracts or RepoClear Term £GC Contracts, as the case may be, with the Trading System Participant pursuant to such dealings in accordance with and subject to the following provisions of this SC Regulation. The terms of a registered RepoClear Contract or RepoClear Term £GC Contract shall be as notified to the Clearing House by the Trading System and otherwise subject to the SC Regulations (and the Clearing House and the Sponsored Member party to the registered RepoClear Contract or RepoClear Term £GC Contract, as the case may be, shall be obliged to perform their obligations thereunder in accordance with such terms).
- (c) The Clearing House shall, in relation to a Trading System Participant enter into a RepoClear Contract in respect of any Repo Trade or any Bond Trade or to enter into a RepoClear Term £GC Contract in respect of any Term £GC Trade, in accordance with paragraph (d) below, as applicable, pursuant to the Trading System Participant's dealings via any Trading System referred to in paragraph (b) above, provided that the following requirements ("**the RepoClear Trade Registration Eligibility Criteria**") shall have been complied with:
- (i) the relevant Sponsored Membership Agreement to which the Trading System Participant is party has not been terminated in accordance with its terms;
  - (ii) the Sponsored Member's Agent Member is party to a valid Agent Membership Agreement;
  - (iii) the Trading System Participant has not had its authorisation to participate in the Clearing Service removed by the Clearing House;
  - (iv) a Default Notice has not been issued in respect of the Trading System Participant under Rule 3 of the Default Rules (without prejudice to the Clearing House's rights to register new Contracts (including RepoClear Contracts and RepoClear Term £GC Contracts, whether closing out contracts or otherwise) in the Sponsored Member's name under the Default Rules in connection with the Clearing House's default proceedings); or



- (v) such dealings satisfy the terms and conditions stated in the SC Regulations and the SC Procedures with respect to such dealings (together the "**RepoClear Eligibility Criteria for RepoClear Contracts and RepoClear Term £GC Contracts**") and the offers made in this SC Regulation 37, including the terms of any Contract which would arise under paragraph (d) below and all necessary details as required by the Clearing House, shall have been provided to the Clearing House;
  - (vi) the relevant Agent Member has provided its consent to the registration of the RepoClear Contract in accordance with the relevant provisions of the SC Procedures and within the time period permitted for such consent to be provided;
  - (vii) the dealings are recognised by the relevant Trading System as satisfying the RepoClear Eligibility Criteria for a RepoClear Contract or RepoClear Term £GC Contract and as dealings which the parties thereto have identified are to be registered by the Clearing House as RepoClear Contracts or RepoClear Term £GC Contracts, as applicable;
  - (viii) the Trading System Participant has executed such agreements or documents as may be required by the Clearing House from time to time in connection herewith; and
  - (ix) all or any conditions imposed by the Clearing House have been satisfied.
- (d) If particulars with respect to: (i) a Repo Trade; (ii) a Bond Trade; or (iii) a Term £GC Trade which:
- (i) satisfy the relevant RepoClear Trade Registration Eligibility Criteria;
  - (ii) have been input into the relevant Trading System by or on behalf of a Trading System Participant as seller (or buyer);
  - (iii) have been matched by, or in accordance with the Trading System Rules with particulars with respect to a Repo Trade, Bond Trade or Term £GC Trade, on such terms input into such Trading System by another Trading System Participant (who may, in this case, be either a Trading System Participant as defined herein or a Trading System Participant as defined in the General Regulations) as buyer (or seller); and
  - (iv) the Clearing House has registered on its system such Repo Trade, Bond Trade or Term £GC Trade (as the case may be),

then two RepoClear Contracts or RepoClear Term £GC Contracts, as the case may be, shall arise. The Clearing House shall be the buyer (or seller) under one RepoClear Contract or RepoClear Term £GC Contract (as the case may be) to the selling (or buying) Trading System Participant, and the seller (or buyer) under the second RepoClear Contract or relevant RepoClear Term £GC Contract, as the case may be to the buying (or selling) Trading System Participant.

**REGULATION 38 DISPUTES**

- (a) In the event of a dispute arising out of, or in respect of, the existence of a trade, or whether it was identified to the Trading System by the Trading System Participants (as defined above) as a trade to be registered by the Clearing House as a RepoClear Contract or RepoClear Term £GC Contract, such dispute shall be settled as provided for in the Trading System Rules, without recourse to the Clearing House. In respect of a dispute arising out of, or in respect of, a registered RepoClear Contract or RepoClear Term £GC Contract, other than a dispute in respect of a matter referred to above as a dispute to be settled as provided for in the Trading System Rules, such dispute shall be settled as provided in the SC Regulations.

**REGULATION 39 DAILY MARGINING OF REPOCLEAR CONTRACTS AND REPOCLEAR TERM £GC CONTRACTS**

- (a) This SC Regulation 39 shall be without prejudice to the Clearing House's rights to require Collateral to be transferred to it under SC Regulation 15.
- (b) The net present value of each RepoClear Contract and each RepoClear Term £GC Contract shall be calculated by the Clearing House in such manner and at such times as may be provided in the SC Procedures. Except as prescribed in the SC Procedures, the net present value calculated by the Clearing House may in no circumstances be challenged.
- (c) Subject to paragraph (d) below, the Clearing House shall require transfer, in accordance with the SC Procedures, at least daily, of cash Collateral to the Clearing House in respect of variation margin from or for the account of a Sponsored Member, or will be required to transfer cash collateral in respect of variation margin to such Sponsored Member, representing the change in the net present value of all RepoClear Contracts and RepoClear Term £GC Contracts registered in the Sponsored Member's name for a particular currency from the preceding RepoClear Opening Day (as defined in the SC Procedures), in an amount calculated in accordance with the SC Procedures. Transfer of cash collateral shall be made in accordance with and by the time or times stated in the SC Procedures.
- (d) Interest shall be paid by the Clearing House on cash Collateral (other than Sponsored Member Returned Collateral) transferred to the Clearing House by or for the account of such Sponsored Member and shall be calculated on the basis set out in the SC Procedures. A Sponsored Member shall pay interest to the Clearing House on cash collateral (other than returned cash collateral) transferred by the Clearing House to the Sponsored Member in respect of variation margin as calculated by the Clearing House on the basis set out in the SC Procedures.

**CHAPTER XII – INTENTIONALLY LEFT BLANK**

**REGULATION 40 [INTENTIONALLY LEFT BLANK]**